

Decision Processes Colloquia

Monday, October 6, 2025

Where: JMHH G50

When: 12:00 – 1:20 pm

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PUSHING THE ENVELOPE: THE EFFECTS OF SALARY NEGOTIATIONS

ABSTRACT:

Salary negotiations are a widespread phenomenon that can shape key labor market outcomes, such as welfare and inequality. We provide novel empirical and theoretical insights into the causes and consequences of salary negotiations. We conducted two field experiments involving over 3,100 job seekers in the U.S. tech sector, designed to examine two types of information frictions. We find that a light-touch encouragement intervention significantly increased both negotiation attempts and compensation gains. In contrast, providing a substantial discount on negotiation coaching did not significantly affect negotiation attempts. Women responded more strongly to both interventions, helping to narrow gender gaps. We develop a new model of salary negotiations, incorporating risk and information frictions, that can better explain our experimental and non-experimental findings. The model's equilibrium analysis indicates that policies encouraging negotiation can enhance both welfare and equity.

