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Project Title: Gender Differences in Negotiation and Job Search: Evidence from Business Majors

Abstract:

a) Academic Significance/ Novelty of Research

This project seeks to explore how gender differences in two specific traits, namely, the willingness to negotiate and risk aversion, affect job search behavior and, consequently, earnings. We propose two sub-projects that examine (1) gender differences in negotiation and the role of information provision in reducing gender gaps and (2) how gender differences in job search behavior impact the gender pay gap.

Recent research has documented that women are less likely to negotiate in a variety of settings. While several explanations have been proposed for these gender differences in negotiations such as -- women are less likely to perceive situations as negotiable, women have lower salary expectations, women have higher perceived or real costs of negotiations -- to our knowledge, no work yet has combined information on negotiation behavior in the field (real life) with individual measures of attributes, perceptions, and expectations to systematically examine the factors that might account for gender differences in negotiation behavior. Furthermore, there is little existing research that examines the extent to which gender differences in negotiation translate to gender pay disparities and the effectiveness of policies that increase negotiation rates among women in closing the gender pay gap.

Our project aims to fill these gaps with a survey and information intervention on undergraduate students and alumni from Boston University's Questrom School of Business. To estimate the contribution of the gender gap in negotiation to the gender gap in starting salaries as well as the potential determinants of the gender gap in negotiation behavior, the survey includes detailed questions on negotiation behavior, job search, beliefs about the negotiation behavior and salary of peers, attitudes toward negotiation, and questions on personality traits. The results from the alumni survey will inform the design of an information intervention that will allow us to examine whether providing current students with information about (a) the size of the gender negotiation gap and (b) the effect of negotiation on starting pay closes the gender negotiation gap, and consequently, the extent to which this translates into an improvement in women's relative pay.

The second sub-project aims to study whether men and women search for jobs differently and the effect that this has on the observed gender pay gap. A large experimental literature has documented robust differences in risk preferences and (over)confidence between men and women, with women exhibiting a greater degree of risk aversion and less confidence in their ability than men. Since searching for a job is inherently a dynamic process that involves a considerable amount of uncertainty, gender differences in risk preferences and confidence could lead to gender differences in job search behavior, and consequently, earnings. We are not aware of any existing studies that examine the potential link between gender differences in risk preferences and overconfidence to job search behavior.

b) Hypothesis/ Research Questions to be Addressed

For the first sub-project, we plan to use the alumni survey to (1) document gender differences in salaries and negotiation rates for this population and (2) to explore potential explanations for gender differences in negotiation behavior.

The specific questions that we seek to answer using the information treatment include:

1. How effective is the provision of information about gender differences in negotiation rates and the efficacy of negotiation in closing the gender gap in negotiation?
2. To what extent does closing the gender gap in negotiation lead to a relative improvement in women's (expected and actual) starting salaries?
3. What are the causal returns to negotiation (in terms of starting salary) for the group of women and men who were induced to negotiate as a result of the information treatment?

For the second sub-project on gender differences in job search behavior, we plan to use detailed information on the job search process collected as part of the alumni survey, to empirically establish basic facts regarding (1) the timing of job offers and job acceptances and how it varies by gender (2) the resulting evolution of women and men's wages over the market clearing process, and (3) how the composition of women and men, in terms of ability and risk preferences, changes over the market clearing process. To rationalize the observed empirical patterns, we plan to develop a formal job search model to clarify the role of gender differences in risk aversion and overconfidence in accounting for the observed patterns in the data.

c) Methodology/ Approach and Feasibility of study

The proposed research is based on two surveys that we conducted on students from Questrom. The first survey on recent alumni was conducted online between April-September 2017. Using the results from this survey, we designed and implemented an information intervention as part of a second online survey that was conducted on current juniors and seniors at Questrom in October 2018. The survey on current Questrom students includes questions on demographic and academic background, expectations about salary and job characteristics, intended negotiation behavior, beliefs about the past negotiation behavior and salary of recent alumni, as well as personality traits.

For the information treatment, we provide a randomly selected subsample of juniors/seniors with information on the gender difference in negotiation rates as well as the reported increase in starting salary resulting from negotiation of recent alumni. To examine whether the information treatment affects students' actual negotiation behavior and starting salary, we will conduct a follow-up survey after the conclusion of their job search process.

For the second sub-project, we will conduct empirical analyses on the alumni data using the detailed questions that we asked regarding students' job search behaviour. We will use the data on current juniors/seniors to investigate gender differences in overconfidence. After documenting the basic empirical facts regarding gender differences in job search behaviour, we will develop a formal job search model that incorporates gender differences in risk aversion and confidence about the arrival rate of offers and the distribution of job offers. We plan to calibrate the model and perform simulations to assess the quantitative significance of gender differences in risk aversion and beliefs in generating the observed patterns in the data. We will also empirically explore other testable implications that the model may generate.