Recruitment and Selection in Organizations.

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Abstract

This paper studies employer search in a labor market when job-seekers have noisy assessments of the value of the match and an employer performs possibly costless but noisy interviews. When job-seekers find it costly to engage in the hiring process, their willingness to apply will depend on the likelihood of being hired. We show that for a broad class of information structures, improvements in the informativeness of the interview discourages strong applicants from applying but encourages weak applicants. As an implication, the marginal value of information to the firm's screening maybe negative in equilibrium if the indirect effect of applicant discouragement is sufficiently strong. Firms can overcome this “hiring trap” in the recruitment phase by improving job-seeker’s information about the value of the match, even when that information cannot be used directly in evaluating applicants. Finally, we investigate the impact of job-seeker's incentives to influence hiring outcomes, the role of applicant heterogeneity and overconfidence in the hiring process.