

Application Incentives and the Allocation of Talent

Experimental Evidence ^{*}

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Abstract

Do high participation costs in formal labour markets prevent high quality workers from allocating their talent most productively? In a field experiment in Addis Ababa, Ethiopia we incentivise applications for a clerical job with a small monetary transfer. We find that the incentive *increases* the number of applicants for the position and *improves* the quality of the applicant pool. In particular, cognitive ability is higher, at all points of the distribution. This *suggests* that participation costs and cognitive ability are *positively* related in this market. We plan to estimate a structural model of endogenous application decisions to quantify this correlation and its implications for the efficient allocation of talent.