

Simultaneous Search and Adverse Selection

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Abstract

This paper presents a search-theoretic model of a market with adverse selection. To increase their matching probability, workers with private information about their productivity can simultaneously apply to multiple firms, each posting a wage. In contrast to the case in which workers send a single application, where different types of workers trade in different markets in the unique equilibrium, we show that with multiple applications pooling and multiple equilibria may arise, as the firms' ability to screen workers is diminished. In the limit, as the number of applications grows to infinity, there are separating and pooling equilibria which converge to the competitive outcomes of \citet{Akerlof70}, including the Pareto dominated one; other pooling equilibria continue to feature frictional trade for firms in the limit, meaning that entry is excessive relative to the solution of a social planner.