

Hiring Trainees: Bargaining with Learning and Competition

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We study a dynamic bargaining model with public learning and competition. Two players (incumbent and worker) learn about the value of collaboration over time while bargaining over the shares of the joint surplus. The incumbent fears the arrival of an identical competitor who can match her offers. There is a chance that the entrant is not observed by the incumbent to allow for frictions in intra-period competition. The imminent competition changes the bargaining dynamics dramatically. In the presence of competition frictions, agreement is reached too early, while inefficiency is non-monotonic in competition. Upon arrival, the entrant extracts more surplus the more bargaining power the incumbent holds.