

## **SUMMARY**

Jarus Singh, Class 2012

Project Title: Efficiency Wages and its Mechanisms

Brief Description of Research Project, Findings: The purpose of the project was to test three different models of why firms pay their workers efficiency wages. The first model states that workers work harder so as not to be fired. Our second model states that higher wages expand the pool of applicants for a particular job, attracting more talented workers. The third model suggests that workers treat their higher wages as a gift, and reciprocate by working harder. We are testing which models apply by analyzing absenteeism among Portuguese hotel and travel agency workers as a proxy for worker performance. We are studying Portuguese workers as their unique labor laws allow us to differentiate between the first and third models

The project is still ongoing, however, preliminary findings indicate that worker absenteeism goes up after receiving tenure. This suggests that the first model can be used to explain at least some of the workers' behavior. This happened regardless of whether the worker had a child during the time period of interest. We made a distinction between workers who had children and those who didn't because of the impact of having a child on types of absences typically associated with shirking from work (i.e. family assistance, sick leave, unexcused absences). Having just received data on the average wages for different jobs in Portugal, we are going to test the magnitude and frequency in which workers in our sample are paid efficiency wages.

Activities Student was Responsible For:

- Cleaning data in Excel
- Writing Stata .do files to expand data from yearly to monthly entries
- Creating graphs on different types of absence data
- Writing Stata code to separate sample into those who had children during the time period and those who did not
- Assisting with checking data entries from participants in a separate field study

What Student Learned:

- How to program in Stata and Excel
- Design of behavioral economics field experiments
- Testing statistical significance of different variables using regression

Opinion of SRO Experience:

SRO is a great way to get meaningful economics research experience at Yale. In the past I've had trouble finding research jobs that didn't involve merely data entry or literature reviews. I am so pleased with my experience over the summer that I plan to continue working with Prof. Esteves-Sorenson during the schoolyear for credit.