

Discrimination in Reciprocity: Evidence from an Online Labor Market

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Motivation for this study

- ▶ Prejudice or bias is widespread in labor markets.
 - ▶ The most common form of bias studied is of the employer-to-employee kind.
 - ▶ The evidence on the bias from employee-to-employer is non-existent (to our knowledge).

Research Questions

- ▶ Whether workers exhibit bias in providing effort to the employers?
- ▶ What is the nature of bias; taste or statistical?

Gift Exchange Framework

- ▶ Experiment with students in Germany
- ▶ Randomly assigned the role of employer or worker
- ▶ Separate Rooms 6 Employers and 9 Workers
- ▶ Employers make a wage offer
- ▶ Workers either accept or reject
- ▶ Workers who timely accepts the wage offer, choose effort level.
- ▶ If no one accepts, employer can offer a higher wage.

Gift Exchange Framework

Worker's payoff is given as

$$u_j = p_j - c - m(e_j)$$

Employer's payoff is given as

$$\Pi_i = (v - p_i)e_i$$

$v = 126$, $c = 26$ and effort function is given as;

e	0.1	0.2	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1
$c(e)$	0	1	2	4	6	8	10	12	15	18

Experiment Design

- ▶ Hire Black and White participants from upwork.
- ▶ Randomly assign the role of worker or employer to each participant (balancing on race)
- ▶ An employer will be matched to a random worker.
- ▶ There will be four treatments.
 - ▶ Baseline (employer identity hidden)
 - ▶ Race Salient (employer identity revealed)
 - ▶ Bonus (with third stage of the game)
 - ▶ Bonus + Race Salient (employer identity revealed with third stage)
- ▶ Stages?
 - ▶ In the first stage, employer will select a wage offer.
 - ▶ In the second stage, worker will observe a wage offer and choose effort.
 - ▶ In the third stage, employer will observe effort and decide whether to reward the worker or not.
- ▶ A session will consist of 10 periods.

Research Plan

- ▶ Job description will be posted on www.upwork.com.
- ▶ Participants who consent to participating in the experiment (and meet the inclusion criteria) will be hired and they will be sent the link to the experiment.
- ▶ Then the experiment will proceed as follows;
 - ▶ Upon clicking a link, participant will be randomly assigned to one of the treatments.
 - ▶ Based on the treatment, the instructions will be as given in Annex C.
 - ▶ After the instructions, participants will answer some questions to test their understanding of the experiment. These questions are given in Annex D.
 - ▶ After the control questions, 10 periods will repeat as explained in the instructions to participants. The information that the participant will see during the experiment (for two treatments) is given in Annex E and Annex F.
 - ▶ Finally, participants earnings will be determined based on their earnings in one of the randomly selected period plus 3 dollars participation fee.
 - ▶ Payments to the subjects will be paid using upwork's payment system.

Baseline Treatment

Layout of Interface (Baseline Treatment)

In this period, you are matched with the following employer. Before you can see the actual wage selected by the employer, you need to make a guess of the selected wage. If your guess is exactly right, you will get 5 extra points. If it deviates by 5 points you will get 3 extra points. If it deviates by 10 points you will get 1 extra point. If it deviates by more than 10, you won't get any extra points.

Employer ID:	
Wage selected by the employer:	Submit your guess to view this.
Guessed Wage	Enter your guess here and click submit.


Now select the effort level for the above employer.

Effort Level	Input values between 0.1 and 1 in the increment of 0.1.
Your Earning	Pre-Calculated Field
Your Employer Earning	Pre-Calculated Field
	Submit Effort Choice

Race Salient Treatment

Layout of Interface (Race Salient Treatment)

In this period, you are matched with the following employer. Before you can see the actual wage selected by the employer, you need to make a guess of the selected wage. If your guess is exactly right, you will get 5 extra points. If it deviates by 5 points you will get 3 extra points. If it deviates by 10 points you will get 1 extra point. If it deviates by more than 10, you won't get any extra points.

Employer ID:		
Employer Name:		
Wage selected by the employer:	Submit your guess to view this.	
Guessed Wage	Enter your guess here and click submit.	

Now select the effort level for the above employer.

Effort Level	Input values between 0.1 and 1 in the increment of 0.1.
Your Earning	Pre-Calculated Field
Your Employer Earning	Pre-Calculated Field
	Submit Effort Choice