

# Workplace Insult: A Slight Event with Important Consequences

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## Abstract

We study how manager-to-employee insults affects employees' subsequent work efforts as measured by sickness absence, working hours, and appraisal awards. We use a unique individual-level monthly data over two years from a large chain of retail stores that has a longstanding practice in which store managers personally hand a birthday gift card to an employee on his or her birthday. Using a quasi-experimental design that exploits an unexpected insult shock of receiving a late birthday gift card, we identify a causal effect of the insulting event by implementing dynamic and static difference-in-difference models. We find that receiving a late birthday gift is associated with a detrimental effect on employees' work effort while waiting for the gifts, as represented by an increase of 38% in sickness absences, a reduction of more than two hours a month in working hours, and a decrease of 44% in employees' appraisal awards. Moreover, we find that the duration of waiting for the birthday gift card influences the insult strength and intensity. Our findings provide the first causal evidence of the impact of workplace insults, and expand our understanding of the various factors that shape the employee-manager relationship.

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# 1 Introduction

The concept of an insult has ancient history that runs through the present. Although workplace surveys indicate its frequent occurrence and potentially harmful implications for both employees and firms (e.g., [Booher, 2021](#)), there is no research on workplace insults in the management or economics literature. A dictionary synonym for an insult is a “slight”—a failure to show someone the proper respect or attention that is modest by most standards. It often occurs by omission, such as the failure to recognize something about another person that merits respect, or that social manners indicate it is due. Whereas the notion of an insult has been discussed in sociology-related fields, in the workplace context, the focus has been mainly on severe violations such as harassment and aggressiveness ([Adams-Prassl, Huttunen, Nix, & Zhang, 2022](#); [Andersson & Pearson, 1999](#); [Boudreau, Chassang, González-Torres, & Heath, 2022](#); [Folke & Rickne, 2022](#)). The goal of this paper is to fill this gap.

We examine the effect of workplace manager-to-employee insults (hereafter, workplace insult) on employees’ subsequent work efforts. We use a quasi-experiment research design with unique individual-level, monthly-panel data over two years from a large chain of retail stores that provides a suitable setting to examine the impact of a workplace insult. Specifically, the retail chain has a longstanding practice in which store managers personally hand a birthday gift card, with a modest monetary value, to an employee on his or her birthday. In some cases, however, that handoff does not occur until *after* the employee’s birthday. We assert that this context meets the core definition of an insult as a relatively minor slight associated with a failure to recognize something important that by social norms merits respect.

Our empirical strategy examines the unpredictable shock of receiving a late birthday gift card using dynamic and static difference-in-difference models. This research design relies on the notion that receiving the late card is exogenous with respect to employee performance. That is, we assert that receiving a late birthday gift card is not correlated with prior job performance, and that employees cannot anticipate that their birthday gift card will arrive late. We test and validate these key assumptions both with interviews and data.

Our data contain details about employees’ birthdates and the exact date the birthday gift cards were given. This information is crucial for our analysis, as we know exactly when the employee received their card and how close it was to their birthday. We use it to compare two groups: a

*belated group*, composed of employees who received the gift card *post* birthday, and an *on-time* group, composed of employees who received the birthday gift card on their birthday as expected.

We study the impact of insults on three effort outcomes. The first two are absenteeism-based measures: sickness absence and working hours, which allow us to learn about the implications of a workplace insult on employees' in-role effort. The third outcome is an extra-role measure. Specifically, the company developed an incentive program, according to which store managers reward employees for demonstrating an extra-role effort, such as providing exceptional service for clients and making an extra-mile attempt in challenging service interactions or demanding work situations. We use the number of awards employees received as part of this program to learn about the impact of insults on their extra-role effort.

In interviews, neither company human resources personnel nor store managers thought that the effect of receiving late birthday gift was particularly consequential. They saw it as non-issue, a "slight" in terms of the definition of insults. This belief, however, turned out to be unsupported. Our findings reveal that in practice it has significant impact. We find that receiving a late birthday gift is associated with a detrimental effect on employees' work effort. Specifically, the birthday-gift insult increased employees' sickness absence by 38% a month and reduced their working hours by more than two hours a month, as compared to the employees in the on-time group relative to the month before their birthday. Further, the birthday insult led to a significant decrease of 44% in employees' extra-role effort following their birthday (that is, while waiting for their birthday gift), compared with employees who received their birthday gift on-time. These effects are robust and similar across several model specifications.

The paper proceeds as follows. In Section 2, we describe the concept of a workplace insult and discuss the relevant literature. In Section 3, we present the study data, and in Section 4 outline the empirical setting and model specification. In Section 5, we describe the results and supplemental analyses, and in Section 6 we review the implications of our findings and conclude.

## 2 Workplace Insults

Because the term "an insult" is widely and often inappropriately used (Cortina, Sandy Hershcovis, & Clancy, 2022), it is important to understand what it actually means as distinct from related or overlapping constructs. A search on the word "insult" invariably turns up examples of cutting

remarks, which reflects the individual-level nature of the construct and also its relative modesty as compared to other types of wrongful behavior that create material or clear psychological damage.<sup>1</sup> Discussions about the distinctive nature of an insult date back at least to ancient Greece (Conley, 2010, provides an intellectual history of thinking about insults in philosophy). Serious notions of its meaning arguably begin with Aristotle’s assertion that insults are a type of belittlement based on not giving the appropriate regard to the person in question (see, Daly, 2018). What constitutes appropriate regard has to do with prevailing customs in the same context (see, e.g., Buss, 1999).

An insult therefore is the failure to treat someone with the basic respect they are due as defined by social norms and the additional respect that the context requires. Daly’s (2018) review of the epistemology of insults notes that insults can exist even if one does not take offense at them, which also means that the definition of an insult is not subjective—not simply whether one feels insulted—but whether it violates social norms of respect. Crucially for our purposes, insults can also result from inaction, such as inattentiveness when attention is merited.

Another unique aspect of insults is that the individual who feels insulted is typically counseled to not take the insult seriously, to ignore it, or to “get over it” (see, e.g., Burton, 2013), in part because taking it seriously perpetuates the disruption in what might otherwise be a smooth social relationship. The idea of a “thick skin,” wherein one ignores an insult or does not respond to it, is typically seen as a virtue, while someone who is sensitive to perceiving insults and feels the need to respond is seen as prickly and difficult (see, Bernerth, 2020; Hill et al., 2017, for a comprehensive discussion).

## 2.1 Placing workplace insults in the existing literature

There is no distinctive literature about insults in fields related to management or economics. The closest analogue may be incivility as applied to workplace interactions (e.g., Mower, 2019), which was first discussed by Andersson and Pearson (1999). Insults and incivility are linked by the construct of norm violations; however, workplace incivility is a broad concept capturing an array of behavior associated with violating workplace norms, such as violation of laws (e.g., discrimination),

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<sup>1</sup>What complicates a contemporary understanding of insults is that they are sometimes used to describe a much stronger injustice, such as calling a military invasion an insult to a community or vandalism to a community as insulting. It is certainly true that a lack of proper respect to the victims is bundled into those actions, but it would be necessary to separate this sentiment out from more serious violations referred to as insults.

rights such as privacy and gender, racial bias, rudeness, and aggression.<sup>2</sup>

Therefore, insults are different from the broad category of incivility in several ways. First, insults refer to only one particular type of norm, a lack of appropriate respect given to an individual. Second, insults occur independent of whether they are perceived as such and whether they actually cause any harm. Third, insults are typically directed at specific individuals, and the consequences are modest. Unlike incivility, insults do not cause or threaten material harm, and in many cases well-adjusted people will either ignore or move beyond them. However, it would be difficult to have this response when experiencing uncivil behavior such as being yelled at or having something taken from our workplace desk. Insults may therefore fit the broad definition of uncivil behavior because they share norm violations, but few examples of incivility are insults.<sup>3</sup>

There is no empirical research on workplace insults. There are studies on abusive supervision (e.g., [Farh & Chen, 2014](#); [Hershcovis & Barling, 2010](#); [Tepper, 2007](#)), aggression (e.g., [Hershcovis & Barling, 2010](#)), and bullying (e.g., [Hershcovis, 2011](#)), all of which are much more serious than insults in terms of likely consequences. [Porath and Erez \(2009\)](#) found that rudeness—one form of incivility—reduces work performance among those receiving as well as observing it. Rudeness may be the closest concept in contemporary research to insults, but differences remain: Being rude is more closely tied to social manners—boorish is a common synonym—and includes actions that affect anyone observing it. Insults, in contrast, are actions directed at an individual and relate specifically to that person’s dignity. [Yip, Schweitzer, and Nurmohamed \(2018\)](#) examined “trash talking” in an experimental context and found that it hurts creativity and cooperative behavior. In practice, trash talking includes insults as well as other forms of uncivil behavior such as self-aggrandizement by the talker (e.g., I am better than you) and teasing, which may not be a form of disrespect or inconsideration. Studies have found that experiencing incivility in the workplace leads to a decrease in employees’ job satisfaction, in organizational commitment, and in organizational citizenship behaviors ([Cortina et al., 2001](#); [Schilpzand, De Pater, & Erez, 2016](#)). Other studies have

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<sup>2</sup>The seminal empirical article by [Cortina, Magley, Williams, and Langhout \(2001\)](#) created the most widely used instrument for measuring workplace incivility, which captures diverse contexts. To illustrate, [Cortina \(2008\)](#) included manifestations of gender and racial bias in the incivility category, which suggests institutional harm, while [Martin and Hine \(2005\)](#) added different aspects into their scale, such as having things taken from one’s desk, which may even be criminal, and discussing one’s confidential information in public, which violates privacy rules. [Penney and Spector \(2005\)](#) used items drawn from scales on aggression and psychological terror, while [Cortina, Kabat-Farr, Leskinen, Huerta, and Magley’s \(2013\)](#) expanded scale included being the target of “temper tantrums” and being “yelled or shouted at.” [Sliter, Sliter, and Jex \(2012\)](#) used a modified version of the Interpersonal Conflict at Work Scale, which includes having co-workers “raise their voices at you” and “do demeaning things to you.”

<sup>3</sup>While we may believe that all uncivil behavior is insulting, not all insults can be perceived as uncivil behavior.

found that incivility leads to a reduction in the perceptions of justice (Zellars, Tepper, & Duffy, 2002), and an increase in employees' deviance behavior (Pearson, Andersson, & Wegner, 2001). In an employment relationship, negative behavior of all kinds by the employer directed at an employee is typically seen as leading to negative responses from the employee. This is the case for research ranging from social exchange to equity theory to many other constructs including incivility (Blau, 1964; Cropanzano & Rupp, 2008).

Schilpzand et al. (2016) pointed out three important methodological limitations in their review of the literature on the effects of workplace-norm violation under the broader heading of incivility. First, it has been established and examined using cross-sectional, self-reported surveys, often with the same source identifying the incivility and its perceived consequences. Exceptions are simulated fictional examples of uncivil behavior and two lab studies among students (Porath & Erez, 2007, 2009), which are problematic in regards to their generalization and external validity to the workplace context. Second, the majority of workplace incivility research has focused on incidents that occur over a long period of time and in particular on incivility in terms of employees' long-term attitudes and behaviors (e.g., job satisfaction, commitment, and intention to leave). These studies relied on recall and the assumption of no confounding factors in the interim period, making it challenging to draw a direct and causal link between the uncivil event and its consequences. Third, the majority of workplace incivility studies rely on participants' introspection, reporting, or awareness (e.g., Porath & Erez, 2007, 2009), with no examination of explicit and objective outcome measures.

Our study addresses all these concerns. We examine the impact of an insult by exploiting an exogenous shock using a rich panel dataset. We use three objective measures of employees' effort, and implement a dynamic, longitudinal, empirical strategy. This setup enables us to establish a causal insult effect immediately after it occurs (in the short-term) as well as after a few months.

## 2.2 The consequences of workplace insults

If we see the definition of workplace insults through the lens of the manager-employee relationship, we might expect employees' reactions to insults to be explained by the mechanism of social exchange (Blau, 1964) and the norm of reciprocity (Gouldner, 1960). When treated favorably by managers, employees feel obliged to respond mutually by putting a work effort toward the source of the treatment. When treated unfavorably, employees will withdraw their effort and instead instigate

negative behaviors (Bordia, Restubog, & Tang, 2008; Coyle-Shapiro & Shore, 2007). Adams's (1965) equity theory, which relies on social exchange, argues that when employees feel they have been treated unfairly by their organization, they will adjust their own behavior accordingly through a reduction in effort counterproductive actions toward their employer, thereby establishing an equitable exchange. Previous research has shown that when employees are treated inappropriately by their organization or manager they responded by engaging in withdrawing behavior and lower performance (Colbert, Mount, Harter, Witt, & Barrick, 2004; Cropanzano & Rupp, 2008; Johnson & O'Leary-Kelly, 2003; Lo & Aryee, 2003; Zhao, Wayne, Glibkowski, & Bravo, 2007).

The prevailing notion that employees will strike back in response to negative treatment such as an insult is also grounded in principles of retributive justice. Specifically, retributive justice refers to the notion that an employer who commits an injustice deserves to be punished, and punishment helps restore an employee's subjective balance of justice (Carlsmith, Darley, & Robinson, 2002), thus helping the employee to "get even" and restore the social status that is often compromised by acts of injustice (Vidmar, 2001). Interpersonal fairness is especially important in workplace insults because it captures the notion of whether employees are regarded with dignity and respect (Colquitt, 2001). Research has shown that employees who perceive unfair interpersonal treatment are more likely to engage in counterproductive work behaviors, reduced work effort, and absenteeism (e.g., Ferris, Spence, Brown, & Heller, 2012; Holtz & Harold, 2013; Robinson & Bennett, 1995; Robinson & Greenberg, 1998; Skarlicki, Van Jaarsveld, & Walker, 2008), as well as adopt withdrawal behaviors (Greenberg & Alge, 1998; Skarlicki & Folger, 2004).

### **3 Data & Main Measures**

#### **3.1 Data**

We obtained our data from a major chain of 249 service retail stores that sell a range of wellness products such as health care items, cosmetics, cleaning supplies, and pharmaceuticals, and are situated in prime locations such as central malls and downtown areas. All of the retail stores are identical in appearance, products for sale, operating practices, and organizational structure, which consist of a store manager, and managerial and non-managerial full-time service employees. Employees across stores are generally similar in their qualifications and training and engage in

similar front-line store work, which involves a mix of customer service, inventory management, and other tasks associated with a retail job. All marketing, strategy, and human resource decisions are common across all stores. Within that framework, store managers have overall responsibility for the retail store operation and employees, including its profit and performance.

A particularly useful feature for this company for our study is that all stores have a practice of giving each employee a modest birthday gift card on their birthday, which is dictated and funded by the company’s headquarters. Specifically, employees who have worked for more than a year in the organization are eligible to receive a birthday gift card.<sup>4,5</sup>

We obtained comprehensive data on all the employees from 2018 through 2019. At the individual level, the data include demographic information such as employees’ age, gender, and birthdate. It also includes rich organizational and occupational information such as employee tenure in the store and in the organization, whether an employee holds a managerial position, and employment work status (in case of job termination, we know the reason and date for end of employment). At the store level, the data include information about store seniority (i.e., the time the store has been in operation) and store size (i.e., the number of employees). Lastly, the data include detailed information about the store manager (i.e., general tenure in the organization and in a specific store). We also obtained (directly from the company) a measure of the store managers’ empowering leadership (as reported annually by store employees), which captures the extent to which store managers are “people-oriented” in their leadership style and demonstrate empowering and caring managerial practices. Managerial and store information helps us rule out the possibility that the insult we measure is correlated with store practices and other management behavior that might confound our hypothesis.

TABLE 1

Table 1 provides descriptive statistics of the study’s main variables.<sup>6</sup> Overall, we observed 8,419 employees who were eligible for the birthday gift cards over a two-year period. A total of 2,835

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<sup>4</sup>A year of tenure is calculated accumulatively in case employees move between stores.

<sup>5</sup>Table A1 in the Appendix shows the descriptive statistics of employees who were not eligible to receive the birthday gift cards. The table also includes employees who left the organization before their birthday, and employees who had typos in their records as it appeared in the dataset.

<sup>6</sup>As the data spans over two years (i.e., 2018 and 2019), Table 1 represents the descriptive statistics of employees at the later year in which they appear in the data (i.e., in the year 2019 unless the employees worked only for 2018). Table A2 in the Appendix compares the descriptive statistics between the years.



employees worked for the company for both 2018 and 2019, and the remaining employees were employed in the company in either 2018 (35.50%) or 2019 (64.50%). Table 1 indicates that the majority of employees are females (77%) and that most hold non-managerial positions (67%). The average age of employees was 33.56 years ( $SD = 11.38$ ), the average tenure in the organization was 6.69 years ( $SD = 5.86$ ), and the average store tenure was 4.74 ( $SD = 4.65$ ). The large standard error reflects the high turnover in this company—i.e., 15% voluntary turnover and 3% involuntary. Table 1 also shows that the average employees’ monthly working hours are 118.58 ( $SD = 56.34$ ), the average monthly sickness absence is 0.45 days ( $SD = 0.8$ ), and employees’ average monthly vacation days is 1.05 ( $SD = 0.8$ ).

The data include 249 stores in both years: 235 in 2018, from which 2 closed during that year, and 14 new stores that opened in 2019, creating a total of 247 stores in 2019. As shown in Table 1, the average store seniority is 14.51 years ( $SD = 9.21$ ) and average store size is 43.09 ( $SD = 14.99$ ). At the manager level, the average store managers’ tenure in the retail organization stands at 15.12 years ( $SD = 8.63$ ) and 7.40 years ( $SD = 5.84$ ) in the store, with an average empowering leadership score of 3.62 ( $SD = 0.41$ ) on a 5-point scale, where 1 represents a more task-oriented manager, at the expense of being a people-oriented manager, and 5 represents a manager who is supportive, caring, and thoughtful.<sup>7</sup>

### 3.2 The insult measure

Our insult measure builds on the organization’s practice in which the store manager is told to literally hand an employee a monetary gift-card on his or her birthday. Employees have come to expect this birthday gesture, but there is no formal policy guaranteeing the birthday gifts reciprocity nor any statement specifying when one should get it. Nevertheless, there is a social and organizational norm that a birthday recognition should arrive on time. The explanation for this hand-delivered birthday gift practice is to make it more personal and the social exchange more significant, demonstrating organizational consideration for employees’ personal life events. The birthday gift monetary value is determined by the retail headquarters based strictly on employee tenure, such that higher tenure is associated with a higher monetary gift (i.e., 1-3 years \$60; above 3 to 6 years \$100; above 6 to 8 years \$180; 8.08 onward \$360). Stores managers have no discretion

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<sup>7</sup>The empowering leadership data was missing for eight new stores and for stores that were closed during the examined years, because these stores had not completed the annual employee survey that includes our measure.

on the monetary value of the birthday gifts nor in who gets them.<sup>8</sup>

In practice, store managers do not always present the birthday gift to the employee on their birthday as expected. When birthday gifts are late, it fits the social norm violation of consideration and respect for the individual that meets the definition of an insult (Daly, 2018). While employees are used to receiving reimbursements and other communications from employers irregularly, the fact that this is a gift for their birthday comes with a different expectation that it should arrive on time. Indeed, most greeting card companies have a special category of “belated birthday cards” that apologizes for not acknowledging the recipient’s birthday on time, which reflects the widespread social norm by which it is important that the exact day is acknowledged.

Our data include the exact date the birthday gift was handed to the employee. This information enabled us to define our insult measure: We calculated the difference between employees’ birthday date—when they expect to receive the gift—and the day it was actually given to them. Figure 1 presents a histogram of the actual time difference.<sup>9</sup> It indicates that the largest share, of more than 15% of employees, received the birthday gift exactly on their birthday, while an additional 53% of employees received the gift 10 days around their birthday (that is, before or after the actual day). Given this, one can infer that despite the appreciative idea behind the practice, variance exists in the timing of receiving the birthday gift, with a high concentration around the birthday event, as expected. Our empirical strategy exploits this variation in the timing of giving the birthday gift card in order to identify the impact of a workplace insult.

#### FIGURE 1

Receiving a birthday gift card before your birthday is widely seen as acceptable and even necessary. Figure 1 shows that there are instances in which this happens. It is often not possible to give the gift card on an employee’s birthday if the day falls on the weekend or during the employee’s vacation time, sick day, general absence, or when the manager is not on site. Receiving a birthday gift before one’s birthday is not typically seen as an insult. In fact, it is arguably a sign of care that the giver is aware that receiving it before the day is necessary and thus avoids the insult of not getting it on time.

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<sup>8</sup>We controlled for the effect of the monetary value of the birthday gift in all our analyses. Across these analyses, the value of the birthday gift consistently has no significant effect on the insult implications.

<sup>9</sup>The calculations of the difference (i.e., between employees’ birthday date and the day they received the birthday gift) as well as the construction of the insult measure take into account weekends and holidays, such they are calculated relative to the first work day after the weekend or holiday.

To understand why birthday gift cards occasionally arrive late, we conducted in-depth interviews with store managers at random across dimensions of store and manager characteristics (e.g., tenure, location, and size), as well as with human resource executive managers. The interview process yielded a consistent conclusion that the variation in handing the birthday gift was due to simple hand-off issues, such as a manager getting caught up in operational issues, more pressing tasks, other duties, or simply forgetting. This is consistent with prior research findings that managers are often incentivized to focus on profit-oriented responsibilities, resulting in missed employee-oriented tasks (Sherf, Venkataramani, & Gajendran, 2019). What is essential is that managers were not considerate enough to ensure that the birthday gift card was given to employees on time or before their birthday. Most people would not see the violation of this social norm as a grave injustice or an act of substantial incivility. As such, it fits our definition of an insult as a slight—i.e., respect not given to the individual and his or her interests.

The main empirical challenge here is the possibility that store managers may delay giving the birthday gift to employees who are considered poor performers or those whom managers simply do not like as a way of intentionally punishing and insulting them. In such a case, the causation could be reversed: performance drives the insult. Another concern could be that we are not capturing a confounding factor that affects both performance and arrival time. For example, bad managers could contribute to poor performance and also give late birthday gifts to employees. We carefully examine these concerns in more detail.

### **3.3 The outcome variables**

We use three outcome variables to examine the effect of a birthday insult on employee effort: sickness absences, working hours, and number of awards for exemplary behavior (see more details about the awards program below). Table 1 presents descriptive statistics for these three variables.

The first two outcomes enable us to estimate the insult impact on employee absenteeism. These measures—sickness absences and working hours—were obtained directly from the retail chain’s accounting department that records them regularly. By using these outcomes, we were able to learn about both the extensive and intensive margins of employees’ effort (respectively) and explore potential sources of the growing phenomenon of employee absenteeism.

Employee attendance at work and the number of hours they work are critical factors main-

taining productivity and operations for firms. The economics literature has consistently examined the amount of time an employee invests at work (i.e., working hours) (Caramanis & Lennox, 2008; DeVaro, 2022) and absence from work (Bennedsen, Tsoutsoura, & Wolfenzon, 2019; Engellandt & Riphahn, 2005) as proxies for employee effort. Changes in these factors were found by management research as signals for employee dissatisfaction with the workplace environment, as well as signals for workplace dynamics, such as unfair treatment (Harrison & Martocchio, 1998; Kehoe & Wright, 2013). Reducing effort in terms of fewer working hours can be seen as a withdrawal in order to lower inputs in social exchange relationships, thus re-balancing reciprocity and exchange equations. Reflecting this logic, several meta-analyses by Berry, Ones, and Sackett (2007) and Colquitt, Conlon, Wesson, Porter, and Ng (2001) found that perceptions of interpersonal unfairness were related to work withdrawal and deviance behaviors, such as working fewer hours and arriving late to work.

Variation in employees' working hours represents short absences from work due to lateness, leaving before the end of workday, or taking longer breaks. Accumulatively, these short absence incidents hurt store performance and profitability because other workers must take on more clients as well as cover for the missing employee's work. As shown in Table 1, the working hours per month outcome has a large variation, ranging between 1 and 214 on average, in part because some workers are part-time or are on short-week schedules. To avoid a possible bias generated by working-hour patterns that are unrelated to the timing of the birthday gift, we restricted our sample to employees above the 1<sup>st</sup> percentile and below the 99<sup>th</sup> percentile of the standard deviation of working hours. We also limited the sample to include only employees who work more than 90 hours (the median) per month to avoid a wrongful measure of workplace insults where employees with low volume of working hours will be incorrectly included in the belated group (see Figure A1 in the appendix for the distribution of working hours).

The sickness absence variable represents the number of paid sick days employees took in each month. The company pays the absent employee 50% of his/her salary for the first three days of absence each month, with no doctor note needed. Starting on the the fourth day, employees get 100% of their salary conditional on presenting medical approval. In practice, sickness absence is discretionary on the part of employees who decide how they feel and the reason for not showing up for work. When constructing our analysis sample, we excluded employees who took more than 20 sick days per month to avoid potential biases that could be generated by chronic medical conditions.

This restriction further allowed us to comply with the maximum annual number of paid sick days (i.e., 20 days) employees are eligible to take.<sup>10</sup>

The hypothesis that paid sickness absence provides incentives for opportunistic behavior has been confirmed in the literature (T. Barmby, 2002; T. A. Barmby, Orme, & Treble, 1991; Johansson & Palme, 1996, 2002). Empirical evidence has shown that employees who felt they were treated unfairly and with less respect had a greater number of sick days than those who perceived equity at work (Gellatly, 1995; Geurts, Buunk, & Schaufeli, 1994; Nicholson & Johns, 1985; Schmitt & Dörfel, 1999). Financial estimates have suggested that employees’ temporary absences cost organizations billions of dollars annually (Collins, Cartwright, & Cowlshaw, 2018). Adams (1965) stated that temporary absenteeism can be seen as an equity-restoring mechanism—that is, by being absent, employees may temporarily “leave the field” and break off the exchange relationship.

The third outcome we use is the number of awards given for extra-role effort. In 2018, the retail chain introduced a gift-card incentive program at 126 stores, which was expanded the following year to an additional 70 stores. Store managers award them to high-performing employees who have demonstrated extra-effort behaviors, such as exceptional client service and citizenship behavior at work. The size of the individual award is such that more frequent awards reflect more examples of extra-effort behavior.

## 4 Empirical Setting and Model Specification

### 4.1 Analysis sample

Drawing on when birthday gifts were actually presented to the employees, we formed two experimental groups. The first group, which we refer to as the *on-time* group, consisted of employees who received their birthday gift exactly on time (i.e., exactly on their birthdate or pre-birthdate but still in the birthday month). The second group, which we refer to as the *belated* group, is composed of employees who received their birthday gift post-birthdate, up to 60 days after their birthday—a restriction that aligns with the timing distribution observed in Figure 1. Each employee in the analysis sample belongs to either the belated or on-time group.

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<sup>10</sup>Employees who use sickness absences longer than 20 days must either use vacation days or take a leave of absence without pay.

## 4.2 Identification

Our identification strategy relied on the argument that variation in the gift-giving timing is exogenous. This assumption means that receiving a late birthday gift is unrelated to other factors that might affect employees' effort. Evidence from previously discussed interviews that suggested the delays are unintentional and largely reflect the fact that store managers do not see them as important, provided initial support for this assumption. Our data allowed us to further examine this assumption empirically.

First, we compared employees in the belated and on-time groups across various demographic characteristics. This analysis is shown in Table 2, which reports the averages for each group separately, with the differences between the averages and their *t*-test result. As shown, the two groups are similar across all demographic and professional characteristics. The table also indicates that the birthday gift monetary value of employees in the belated group is \$5 higher than in the on-time group; however this negligible difference is driven by the slightly higher tenure of these employees, as the monetary value of the gift is determined strictly by the employees tenure.

TABLE 2

Second, we examined the relationship between store-level characteristics—fairness/unfairness climate, empowering manager, and the manager's tenure—and the share of employees who received their birthday gift late in each store. In conducting this analysis, we aimed to detect whether differences at the store level as well as workplace and managerial-level characteristics might affect delays in providing the birthday gifts. For example, some stores and their managers could be much busier than others, making it is harder to get the birthday gift cards out on time, or some managers may be simply more attentive to employees and therefore more likely to give the birthday gift cards on time. As shown in Table 3, there is no relationship between a specific store and managerial-level characteristics and the share of employees that received a birthday gift late, thus providing additional support for our approach.

TABLE 3

FIGURE 2

Lastly, we examined the relationship between the store operation cycle and the employee’s birthday-gift giving date itself. Figure 2 shows that employees who celebrate their birthday in the first half of the month tend to receive their birthday gifts late, whereas employees who celebrate their birthday toward the end of the month more frequently receive their birthday gift on-time. This pattern could be explained by the fact that at the beginning of the month, managers have more operative duties that likely impose a heavier work burden at the expense of handing out birthday gift cards on time. Such duties include meetings at the retail headquarters, which means that the manager is away from the store, taking in new inventory, and addressing vendors’ payments. Given that one’s exact birthdate is as good as random (e.g., Angrist & Krueger, 1992), there is no reason to think that employee performance is different for those born earlier in a month compared to later. This evidence indicates that the birthday gift-giving timing date is exogenous with respect to employee performance.

### 4.3 Model specification

Our empirical strategy was a quasi-experimental approach that exploited the random shock of receiving a late birthday gift in dynamic and static difference-in-difference models. Specifically, when studying the birthday insult effect on employee effort as measured by sickness absence and working hours, we implemented a dynamic difference-in-difference estimation approach using a monthly panel data set over 2018 and 2019. For each employee, we generated a panel of months such that we normalized the month before the birthday to be the reference period and referred to the following months as lags relative to this period. This analysis exploited the rich monthly information we possess to examine how the insult effect varied over time.

To examine the birthday insult effect on employee extra-effort as measured by the number of employee extra-role awards, we adopted a static difference-in-difference approach. In this model, we compared the average number of awards received before and after the birthdate (while waiting for the birthday gift) between employees in the on-time and belated groups. We adopted this approach because such awards are given fairly rarely throughout the year. We implemented the analysis on data from the year 2019 over the sub-sample of stores that adopted the incentive award program in 2018 to avoid potential biases from the gradual adoption of the program of stores during 2019.

The null hypothesis is that work effort of employees in the the belated group in the post-birthday

period(s) (and before the gift has been received) would reflect their insult from not receiving their birthday gift on time, whereas the work effort of employees in the on-time group would remain unchanged when comparing the pre-and-post birthday gift periods.

### 4.3.1 Sickness absence and working hours

The dynamic difference-in-difference model introduces a series of dummy variables for months referenced relative to the month before the employee’s birthday. We denote these indicator variables by  $D_{i,t}^\tau$ , where  $D_{i,t}^\tau = 1$  if employee  $i$  is  $\tau$  months away from calendar month  $t$  before the birthday was celebrated. The econometric model incorporates these dummy variables around the shock time into a linear model with fixed effects to explain employee effort outcomes. Specifically, the effort of employee  $i$  from store  $s$  in month  $t$  and year  $j$  takes the following form:

$$y_{istj} = \alpha_s + \psi_i + \lambda_j + \beta T_i + \sum_{\tau \neq -1}^{\tau=2} \delta_\tau D_{i,t}^\tau + \sum_{\tau \neq -1}^{\tau=2} \mu_\tau D_{i,t}^\tau T_i + \phi X_{it} + \theta Z_{sj} + \varepsilon_{istj}, \quad (1)$$

where  $T_i$  is the birthday-insult dummy variable, which equals 1 if employee  $i$  has received the birthday gift after her birthday, and 0 otherwise. The birthday-insult dummy variable is interacted with the indicators of the relative time period such that the omitted reference period  $\tau = -1$  denotes the month before the birthday.

The  $\alpha_s$  coefficients are store fixed effects and  $\psi_i$  are individuals’ fixed effects coefficients, which summarize the impact of permanent difference among stores or individuals in observed and unobserved characteristics. In the estimation process, we implemented models with either individuals’ fixed effects or store fixed effects, as each model captures different sources of variation. The coefficients on year fixed effects  $\lambda_j$  capture the general time pattern of employees’ effort in the company. In both the store fixed effects and the individual fixed effects model, the variable  $X_{it}$  consists of time-varying observed individual characteristics including age, the birthday gift monetary value, a dummy variable that equals 1 if the employee holds a managerial position and 0 for non-managerial positions, tenure in the organization, and a categorical variable that captures employees’ employment status in year  $j$  as being either employed, voluntarily leaving the company (after the birthday), or laid off (after the birthday). In addition, the store fixed effects model also includes gender. The variable  $Z_{sj}$  represents information about the store that varies across years, including the store manager’s empowering leadership score and managerial tenure in the store, which together repre-



sent the potential effect of the manager’s characteristics on timing of giving the birthday gift. In the individual fixed effects model, the variable  $Z_{sj}$  also consists of observed store characteristics, including store seniority, number of employees, geographical cluster, and physical location (e.g., neighborhoods, downtown, mall, or out of the city). Finally, we allow the error term  $\varepsilon_{istj}$  to be clustered at the store level in the store fixed effects model.<sup>11</sup>

The key parameters of interest are the coefficients of indicators  $\mu_\tau$ s. These coefficients identify the causal effect of the shock of not receiving the birthday gift on employee work effort at given time  $\tau$  relative to the reference period (i.e., the month before the birthday).

As discussed above, the identifying assumption of our empirical strategy is that not receiving the birthday gift on time is as good as random, which means that receiving a late birthday gift card is exogenous with respect to employee performance and that employees are not anticipating it at this time. This approach can be validated by observing parallel trends in the month before the shock. In practice, this assumption requires a zero-centered outcome in the month leading up to the shock, that is,  $\hat{\mu}_\tau = 0$  for  $\tau < 0$ . As subsequently shown, our results imply that this assumption consistently holds throughout various analyses and across different effort outcomes, thus validating the research design and supporting our identification assumption.

### 4.3.2 Extra-effort awards

The static difference-in-difference framework introduces the dummy variable  $\text{AFTER}_t$  into the model, which takes the value 1 for the period after employee’s  $i$  birthday and zero for the period before the birthday. The post-birthday period is further restricted to before receiving the gift card. The econometric approach incorporates this dummy variable into a model with year- and store-fixed effects to explore the impact of the birthday insult on the extra-role effort of employee  $i$  from store  $s$  in time  $t$  using the following specification:

$$y_{ist} = \alpha_s + \beta T_i + \delta \text{AFTER}_t + \psi \text{AFTER}_t \times T_i + \phi X_i + \gamma V_{it} + \lambda Z_{sj} + \varepsilon_{ist}, \quad (2)$$

where the model components have similar notations as those described in Eq (1). The key parameter of interest is the coefficient  $\psi$ , which identifies the causal effect of the birthday insult on employee

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<sup>11</sup>Given that there are 344 employees who moved between stores the standard errors of the individual fixed effects model cannot be clustered. Omitting these individuals and implementing the employee fixed effects model with store-clustered standard errors, the results remain almost identical.

extra-role effort as measured by the number of the awards employees have received.

## 5 Results

### 5.1 The insult effect on employees' effort after one-month waiting

In the following section, we focus on employees from the belated group who received their birthday gift card during the period  $\tau = 1$  (i.e., the month following their birthday), and compare them to employees in the on-time group. The analysis results, which document employees' *instantaneous insult effect* on absenteeism as measured by sickness absence and working hours, shown in Tables 4 and 5, respectively. The tables report the estimated coefficients  $\mu_\tau$ , as represented in the dynamic difference-in-difference model in Eq.(1). Specifically, Columns (1) and (2) report models without and with controls, respectively, Column (3) reports a model with store fixed effects, and Column (4) reports the individual fixed effects model.

#### 5.1.1 The insult effect on sickness absence after one-month waiting

The estimates in all the models presented in Table 4 consistently show that the insult effect causes an increase in employees' sickness absence immediately after the shock, namely in the month following the birthday month ( $\tau = 1$ ), while waiting to receive the birthday gift card. These estimates indicate that even a modest insult has detrimental consequences on employees' effort. In particular, the estimates of the most comprehensive model with individual fixed effects, presented in Column (4) shows that at  $\tau = 1$ , the sickness absence of employees who waited to receive their birthday gift compared to the employees in the on-time group increased by 38% relative to the reference period (i.e., the month before the birthday). This dramatic increase illustrates not only the potentially destructive impact insults have on employees' effort, but also the harmful consequences it potentially has on the retail stores' productivity, service quality, and profitability.

An examination of the effects at  $\tau = 0$  (i.e., the birthday month), when the birthday gift is expected and yet has not been received by employees in the belated group, shows virtually no difference between the sickness absence taken by employees in both groups relative to the reference period. This result could be driven by the fact that taking a sickness absence involves several explicit actions and consequences, such as calling store managers directly, letting the manager

know about the absence, providing a reasonable medical reason for such absence, putting an extra workload on coworkers, and addressing their reactions upon returning.

TABLE 4

Table 4 also presents estimates that examine the persistence of the insult effect over time by documenting the impact of the insult on sickness absence after the birthday gift has been received late, in  $\tau = 2$  and  $\tau = 3$  (i.e., two and three months after the birthday). One may argue that receiving the birthday gift, although late, could be treated as an apology (Ho, 2012), and thus the employees' effort should revert to its initial state before the birthday event. Alternatively, it could be that the insult has been so impactful that its effect remains despite eventually receiving the gift. Our analysis addresses that question. Looking at  $\tau = 2$  and  $\tau = 3$ , when all employees have received their gifts, the sharp and significant increase in sickness absence documented for employees that waited for their birthday gift relative to the on-time group has completely reverted to the pre-shock levels two months after the birthday. That is, the significant increase in sickness absence generated by the insult vanished upon receiving the birthday gift card. This snap-back adds credibility to the fact that not receiving the birthday gift on time matters to employees.

FIGURE 3

Panel (a) of Figure 3 illustrates the estimated effects reported in Column (4) of Table 4 by providing a visual representation of the  $\mu_{\tau s}$  and their 95% and 90% confidence intervals. The  $x$ -axis denotes the time relative to birthday month  $\tau = 0$ , while the  $y$ -axis denotes the outcome variable. The visual representations clearly shows the instantaneous nature of the insult effect on sickness absence over time. While employees were waiting for their birthday gift (in the post-birthday month), their sickness absence dramatically increased relative to the on-time group; however, this striking insult effect has completely faded after the birthday gift is received.

Panel (b) of Figure 3 presents the predictive margins of sickness absence generated based upon Column (4) of Table 4, which further helps to visualize the results. Corresponding with the treatment effect estimates reported above, one can see that the pre-birthday month and in the birthday month, employees in both the belated and on-time groups had a similar and almost constant number of sick days. This evidence provides verification of the parallel trends across the belated and

on-time groups absent the treatment as required by the empirical design. Next, the figure illustrates that whereas the sickness absence taken by employees in the on-time group remains relatively constant over time, employees in the belated group have a dramatic increase in their sick days in the post-birthday month. However, the noticeable increase among the belated group employees has vanished after receiving the gift late (in the second post-birthday month), such that the levels of sickness absence taken by employees in both the on-time and belated groups have converged in the second and third months after the insult shock. This evidence provides additional support to our initial assumptions by which the insult we capture is subtle but critical for the workers' productivity and firm operation, as well as additional justification to our research design.

## 5.2 The insult effect on working hours after one-month waiting

Table 5 presents evidence that corresponds with the impact of a birthday insult on working hours. The estimates under all model specifications consistently indicate a significant negative insult effect on employees' working hours in the birthday month and the following month. In particular, the estimates of the most comprehensive model with individual fixed effects, presented in Column (4), show that the insult caused a decrease of more than two working hours per month among employees in the belated group compared with employees in the on-time group in  $\tau = 0$  and  $\tau = 1$  relative to the pre-birthday month. This substantial reduction reflects a decrease of 1.7% relative to the baseline period. Such results reflect the instantaneous nature the insult effect has on employees' working hours. Furthermore, the results also indicate that the insult impacts employee productivity, which is highly likely to cause damage to the company.

TABLE 5

The effect of workplace insults on working hours is evident in an employee's birthday month, whereas the effect on sickness absence only appears in the following month. This difference could be driven by the different nature of the absenteeism. The observed decrease in the monthly working hours could be viewed as a cumulative "revenge." Specifically, an employee who feels insulted presumably adopts absenteeism behaviors, such as arriving late for work, leaving early, or taking longer breaks. Slight lateness or early leave across the entire month does not involve explicit consequences or actions, while as discussed above, calling for sickness absence requires active steps by the employee.

Table 5 also presents estimates that explore the persistence of the insult impact, by examining its effect on employees’ working hours two months after the belated birthday gift has been received. Across all models, we see a consistent pattern by which the significant insult effect of a decrease in working hours returns to levels close to those of pre-shock levels. That is, when all employees have received their birthday gift, the decrease in working hours observed for employees who waited for their gift almost vanishes upon receiving the gift at  $\tau = 2$  and  $\tau = 3$ .

Panel (a) of Figure 4 illustrates the insult effects on working hours over time. The figure visually presents the estimates of  $\mu_{\tau S}$ , which correspond to the estimates reported in Column (4) of Table 5. It shows that employees who waited for their birthday gift decreased their working hours in the birthday month and the following month significantly, as compared with employees who received their birthday gift on time. However, that dramatic instantaneous insult effect fades after the birthday gift was received.

FIGURE 4

Panel (b) of Figure 4 presents the predictive margins of working hours generated based on Column (4) of Table 5. This visual representation helps us to explore the origins of the treatment effect. In the pre-birthday month, employees in the belated and on-time groups had almost identical average working hours, which implies that the parallel trends assumption is fulfilled. Next, while waiting to receive their birthday gift, in their birthday month and the following month, employees in the belated group diverged from the pattern sustained by the on-time group and decreased their working hours significantly. Nevertheless, once the belated group received the birthday gift card, the working hours of both groups converged to a similar pattern by the second post-birthday month.

### 5.3 The insult effect on extra-role effort

We examined the birthday insult effect on employees’ extra-role effort as measured by the number of awards an employee received for demonstrating exceptional work behaviors. Since these awards are given only occasionally throughout the year, we aggregated employees’ data pre-and-post the birthday and implement the difference-in-difference model specified in Eq. (2).

TABLE 6

Table 6 presents the change in the number of awards granted by employees in the belated group relative to employees, in the on-time group in the post-birthday period relative to the pre-birthday period. The insult effect is captured by the estimate of the interaction term, which shows a 0.44 decrease in the number of awards of employees in the belated group, while waiting to receive their birthday gift. This detrimental effect on employees’ extra-role effort echoes the insult effects documented in sickness absence and working hours analyses.

Figure 5 displays the predicative margins of the analysis presented in Column (2) of Table 6 for each group of employees separately, pre-and-post birthday. It shows the distinct pattern in the number of awards received by employees in each group over time. Specifically, while the awards in the on-time group remain relatively stable, the number of awards of employees in the belated group decrease dramatically while waiting for their birthday gift (relative to the time before their birthday).

FIGURE 5

#### 5.4 Supplemental analysis

An interesting question pertains to how the duration of waiting for the birthday gift card influences the insult strength and intensity. On the one hand, one may claim that the longer an employee has waited for his/her birthday to be acknowledged, the insult effect amplifies. If indeed that is the case, we would expect to observe a persistent decrease in employees’ effort as long as the employee waits for the gift. In term of the outcomes measures we used, we would expect a pattern of decreasing working hours and increasing sickness absence over the waiting time. On the other hand, as previously noted, it is possible that the insult we examined is so mild that employees tend to forget about it in the months following the birthday event. This means that the detrimental insult effect we captured is instantaneous and does not last.

To answer this question, we focused our analysis on a sub-sample of employees from the belated group who received their birthday gift only at time  $\tau = 2$  (two months after the birthday) and examined the insult effect on their working hours and sickness absence using the model specified in Eq. (1). This data restriction yields a much smaller sample than the one exercised in the analysis presented above, as the vast majority of employees do receive their birthday gift within a one-month wait (see Figure 1). However, as shown in Tables 7 and 8, this analysis provides robust evidence

that a longer waiting time for the birthday gift extends lower work effort by employees.

## 5.5 The insult effect on sickness absence after a two-month waiting period

Table 7 presents results of the insult effect on sickness absence after two months of waiting. Overall, the results show that not only does the insult effect persist over time, but the longer the waiting, the stronger the negative insult impact on employees' sickness absence. Specifically, in the first month of waiting, sickness absence increases by more than 60% relative to the reference period, results that align with the evidence presented in the previous section. In the second month of waiting, the sickness absence increased sharply by more than 135% relative to the reference period. Examining the insult effect at  $\tau = 3$ , when all employees have already received their birthday gift, the results indicate that the insult effect persists, although at a significantly lower degree.

TABLE 7

FIGURE 6

Panel (a) of Figure 6 presents the estimates shown in Column (4) of Table 7 visually, which indicates a consistent increase in sickness absence over the waiting time relative to the month before an employee's birthday. This graphical representation clearly shows the strong impact of the insult over a longer waiting period. Moreover, it shows that this negative effect remains present in the month after the birthday gift has been received. Panel (b) of Figure 6 presents the predictive margins of sickness absence generated based on Column (4) of Table 7. As shown, the sickness absence days taken by employees in the belated and on-time groups were relatively similar in the pre-birthday month and the birthday month itself (not statistically different). However, in the months following the birthday, while the sickness absence of employees in the on-time group remains unchanged, employees in the belated group increase their sickness absence significantly. This increase reaches its highest level in the second month following the birthday, after which it decreases when the birthday gift has been received.

### 5.5.1 The insult effect on working hours after a two-month waiting period

Table 8 and Panel (a) of Figure 7 present the results of the insult effect on working hours following a longer wait time (i.e., two months). Looking at the individual's fixed effects model in Column

(4), the insult effect on working hours already occurred in the birthday month  $\tau = 0$ , causing a decrease of five hours of work among employees who waited for their birthday gift relative to the on-time group. This evidence aligns with the results of the insult effect after a one-month wait discussed above. This decrease persists in the month following the birthday  $\tau = 1$  wherein average working hours decreased by more than four hours a month. This pattern of lower working hours among employees in the belated compared group to the on-time group (relative to the reference period) has remained in the second and third months after the birthday—i.e., during  $\tau = 2$  and  $\tau = 3$ —however, the precision of these estimates is lower due to a lower power associated with a smaller sample size (see the sample distribution over waiting month in Figure 1).

TABLE 8

FIGURE 7

Panel (b) of Figure 7 presents the predictive margins of the insult effect on working hours as generated based on Column (4) of Table 8. While the working hours of employees remained constant over the pre-and-post-birthday months, the insult caused employees who waited for two months to decrease their working hours in the month of the birthday and in the following month, which aligns with the one-month waiting analysis as discussed. After two months of waiting, the decrease in working hours was mitigated (i.e., in the third month after the birthday). Taken together, the lower working hours relative to the pre-birthday month implies that the longer waiting time for the birthday gift extends to lower effort by employees.

## 6 Conclusions

We utilized a quasi-experimental research design to quantify the consequences of a workplace insult, demonstrating its determinantal effect on employees’ work effort. Our empirical framework exploits an unintentional and unpredictable delay in handing employees a birthday gift, which we identify as an insult. Using novel and rich data from a retail chain with the practice of giving a birthday gift card to its employees, we build an individual-level monthly panel data set to examine the impact of the delay shock in birthday gift giving on employees’ work effort. We measure employees’ in-role effort through temporary absenteeism using two objective measures—sickness absence and working hours—as well as employees’ extra-role effort using an objective measure of the company’s awards.



Our analysis reveals that receiving a birthday gift late has a significant detrimental effect on employees' work effort. Specifically, we find a strong insult effect on employees' sickness absence, with more than a day-and-a-half increase a year following an insult event. We also find that the effect has significant impact on employees' working hours, as it causes a decrease of more than two working hours a month. We further show that these detrimental effects vanish once the birthday gift card is given to employees, as they revert to their original average monthly sickness absence and working hours. This evidence implies that the employer-employee relationship can be restored if the insult is acknowledged in a fairly reasonable period.

Our findings demonstrate the relevance of workplace insults when modeling and studying employees' work effort. Documenting the causal effect of a workplace insult highlights the potential negative role it has in shaping the relationship between employees and their managers, thus expanding our understanding of the various factors that shape the employee-manager relationship (Bender, Bloom, Card, Van Reenen, & Wolter, 2018; Bloom, Sadun, & Van Reenen, 2016; Ichniowski, Shaw, & Premushi, 1997). Moreover, by shedding light on the understudied (yet prevalent) phenomenon of a workplace insult and its impact on employees' effort, our study contributes to the literature on the large variation in firm management practices (Bloom, Genakos, Sadun, & Van Reenen, 2012).

Building on our study's findings, several research directions can be explored in future studies. In our work, we focused on a particular form of workplace insult, which constitutes a sound example for a wider set of workplace insults. Examining additional forms of insults could broaden and refine our understanding of the construct of workplace insults. While we focus on employees' in-role and extra-role effort as our focal outcomes, additional consequential outcomes of workplace insults could be also explored, such as creativity and unethical behavior.

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Table 1: Descriptive statistics of the study’s variables

	Mean	SD	Min	Max	N
<i>Employee’s level</i>					
Age	33.56	11.38	18	84	5516
Gender (Female=1)	0.77	0.42	0	1	5516
Managerial position	0.33	0.47	0	1	5516
Tenure in the store	4.74	4.65	0	37	5516
Tenure in the organization	6.69	5.86	1	39	5516
Voluntary turnover	0.15	0.36	0	1	5516
Involuntary turnover	0.03	0.16	0	1	5516
Monthly working hours	118.58	56.34	1	214	5514
Monthly vacation days	1.05	0.80	0	14	5516
Monthly sickness absence	0.45	0.80	0	14	5514
Number of rewards	0.14	0.29	0	4	4687
Birthday gift monetary value (\$)	156.31	120.79	57	354	5516
<i>Store level</i>					
Store seniority	14.51	9.29	2	42	249
Store size	43.82	16.03	12	114	249
<i>Manager level</i>					
Manager’s tenure in the organization	14.59	8.64	0	39	232
Manager’s tenure in the store	7.09	5.78	0	32	241
Empowering Leader	3.64	0.40	2	4	235

*Notes:* *Store seniority* represents the number of years the store operates. *Store size* represents the number of employees. One branch that opened at late 2019 does not appear in the summary statistics. Managers tenure in the organization and in the store are reported in years. *Empowering Leader* is a measure calculated based on employees store surveys, which captures the extent to which store managers are “people-oriented” in their leadership style and demonstrate empowering and caring managerial practices. The measure is at a 5-point scale, where 1 represents a more task-oriented manager, at the expense of being a people-oriented manager, and 5 represents a manger who is supportive, caring, and thoughtful. This measure was missing for eight new stores and for stores that were closed during the examined years, because these stores had not completed the annual employee survey.

Table 2: Comparing employees in the belated and on-time groups

	On-time group		Belated group		Diff	<i>t</i> -test
	Mean	SD	Mean	SD		
Age	33.635	10.932	33.840	11.640	-0.205	(-0.770)
Gender (Female=1)	0.765	0.424	0.781	0.413	-0.016	(-1.644)
Managerial position	0.336	0.472	0.320	0.467	0.016	(1.420)
Tenure in the store	4.644	4.317	4.723	4.551	-0.079	(-0.754)
Tenure in the organization	6.486	5.533	6.688	5.775	-0.202	(-1.507)
Voluntary turnover	0.115	0.319	0.114	0.318	0.001	(0.155)
Involuntary turnover	0.017	0.129	0.019	0.138	-0.002	(-0.782)
Monthly vacation days	1.043	0.730	1.029	0.741	0.015	(0.858)
Birthday gift monetary value	152.601	116.383	157.351	121.276	-4.750*	(-1.689)
<i>N</i>	3354		3801		7155	

Notes: \*\* $p < 0.05$ , \* $p < 0.1$ .



Table 3: The relationship between leadership attitude and gift giving timing

	Dependent variable: Share of late gift cards recipients			
	(1)	(2)	(3)	(4)
Unfairness	0.0131 (0.0483)			
Fairness climate		0.105 (0.0984)		
Empowering leader			0.0194 (0.0665)	
Store manager tenure				0.00462 (0.00396)
Year FE	Yes	Yes	Yes	Yes
R <sup>2</sup>	0.000545	0.00665	0.00321	0.00651
N	138	379	463	446

*Notes:* Standard errors in parentheses. These managerial and organizational characteristic measures were obtained directly from the retail chain headquarters and were based on annual employee surveys the company distributes to all store employees. All measured items were based on well distinguished and validated measures in management literature ranging on a scale from 1 (not at all) to 5 (always). The unfairness and fairness climate measures have been reported only for a sub-sample of the stores. \*\*  $p < 0.05$ .

Table 4: The effect of a birthday insult on sickness absence after a one-month wait

$\tau$	Dependent Variable: Sickness absence			
	$\hat{\mu}_\tau$			
	(1)	(2)	(3)	(4)
0	-0.00514 (0.0583)	0.00244 (0.0601)	-0.00972 (0.0595)	0.00441 (0.0648)
1	0.137* (0.0705)	0.147** (0.0738)	0.136* (0.0718)	0.147** (0.0681)
2	0.0110 (0.0681)	0.000201 (0.0707)	-0.00687 (0.0704)	-0.0107 (0.0697)
3	-0.0297 (0.0664)	-0.0202 (0.0679)	-0.0462 (0.0683)	-0.0365 (0.0723)
Baseline mean	0.375	0.383	0.379	0.383
Controls	No	Yes	Yes	Yes
Store FE	No	No	Yes	No
Employee FE	No	No	No	Yes
Treated employees	1372	1315	1347	1315
Number of observations	20205	19237	19837	19237
R <sup>2</sup>	0.000570	0.00758	0.00777	0.0384

*Notes:* Standard errors in parentheses are robust and clustered at the store level in columns (1), (2), and (3). As there are employees who moved between stores (344 employees), the the standard errors of the individual fixed effects model in Column (4) are robust. \*  $p < 0.10$ , \*\*  $p < 0.05$ .

Table 5: The effect of a birthday insult on working hours after a one-month wait

$\tau$	Dependent Variable: Working hours			
	$\hat{\mu}_\tau$			
	(1)	(2)	(3)	(4)
0	-1.850*	-1.737*	-1.781*	-1.950**
	(0.940)	(0.939)	(0.932)	(0.946)
1	-2.269**	-2.149**	-2.089**	-2.272**
	(0.938)	(0.917)	(0.920)	(0.924)
2	-0.384	-0.232	-0.363	-0.642
	(1.197)	(1.215)	(1.165)	(1.041)
3	-0.112	-0.347	-0.145	-1.061
	(1.225)	(1.198)	(1.148)	(1.038)
Baseline mean	158	158	158	158
Controls	No	Yes	Yes	Yes
Branch FE	No	No	Yes	No
Employee FE	No	No	No	Yes
Treated employees	824	793	812	793
Number of observations	12855	12262	12636	12262
R <sup>2</sup>	0.00148	0.0562	0.0904	0.0645

*Notes:* Standard errors in parentheses are robust and clustered at the store level in columns (1), (2), and (3). As there are employees who moved between stores (344 employees), the the standard errors of the individual fixed effects model in Column (4) are robust. \*  $p < 0.10$ , \*\*  $p < 0.05$ .

Table 6: The effect of a birthday insult on receiving incentive rewards

	Dependent Variable: Number of rewards	
	(1)	(2)
After =1 × Treatment=1	-0.409** (0.117)	-0.444** (0.0515)
After =1	-0.329** (0.102)	0.0767** (0.0363)
Treatment=1	-0.246* (0.125)	-0.0304 (0.0385)
Baseline mean	0.989	0.989
Controls	Yes	Yes
Branch FE	No	Yes
Treated employees	1324	1326
Number of observations	5232	5232
R <sup>2</sup>	0.0421	0.0537

*Notes:* Standard errors in parentheses are robust and clustered at the store level. \*  $p < 0.10$ , \*\*  $p < 0.05$ .

Table 7: The effect of a birthday insult on sickness absence after a two-month wait

	Dependent Variable: Sickness absence			
	$\hat{\mu}_\tau$			
	(1)	(2)	(3)	(4)
0	0.127 (0.108)	0.127 (0.110)	0.125 (0.110)	0.0891 (0.120)
1	0.256** (0.110)	0.254** (0.112)	0.248** (0.113)	0.280** (0.124)
2	0.506** (0.180)	0.532** (0.185)	0.526** (0.183)	0.564** (0.185)
3	0.289** (0.135)	0.252* (0.139)	0.238* (0.136)	0.307** (0.147)
Baseline mean	0.381	0.385	0.385	0.392
Controls	No	Yes	Yes	Yes
Branch FE	No	No	Yes	No
Employee FE	No	No	No	Yes
Treated employees	245	237	237	233
Number of observations	15281	14980	14980	14509
R <sup>2</sup>	0.00100	0.00515	0.00556	0.121

*Notes:* Standard errors in parentheses are robust and clustered at the store level in columns (1), (2), and (3). As there are employees who moved between stores (344 employees), the the standard errors of the individual fixed effects model in Column (4) are robust. \*  $p < 0.10$ , \*\*  $p < 0.05$ .

Table 8: The effect of a birthday insult on working hours after a two-month wait

$\tau$	Dependent Variable: Working hours			
	$\hat{\mu}_\tau$			
	(1)	(2)	(3)	(4)
0	-3.968 (2.700)	-4.322* (2.575)	-4.637* (2.412)	-5.132** (2.338)
1	-3.021 (2.194)	-3.805* (2.223)	-4.036* (2.139)	-4.917** (2.132)
2	-1.191 (2.735)	-1.664 (2.689)	-1.586 (2.526)	-2.754 (2.465)
3	-2.429 (2.831)	-3.667 (2.806)	-3.257 (2.850)	-3.819 (2.632)
Baseline mean	157.5	157.6	157.6	157.6
Controls	No	Yes	Yes	Yes
Branch FE	No	No	Yes	No
Employee FE	No	No	No	Yes
Treated employees	150	150	150	150
Number of observations	9905	9423	9718	9423
R <sup>2</sup>	0.00228	0.0551	0.0819	0.0641

*Notes:* Standard errors in parentheses are robust and clustered at the store level in columns (1), (2), and (3). As there are employees who moved between stores (344 employees), the the standard errors of the individual fixed effects model in Column (4) are robust. \*  $p < 0.10$ , \*\*  $p < 0.05$ .

Figure 1: Birthday gift giving timing

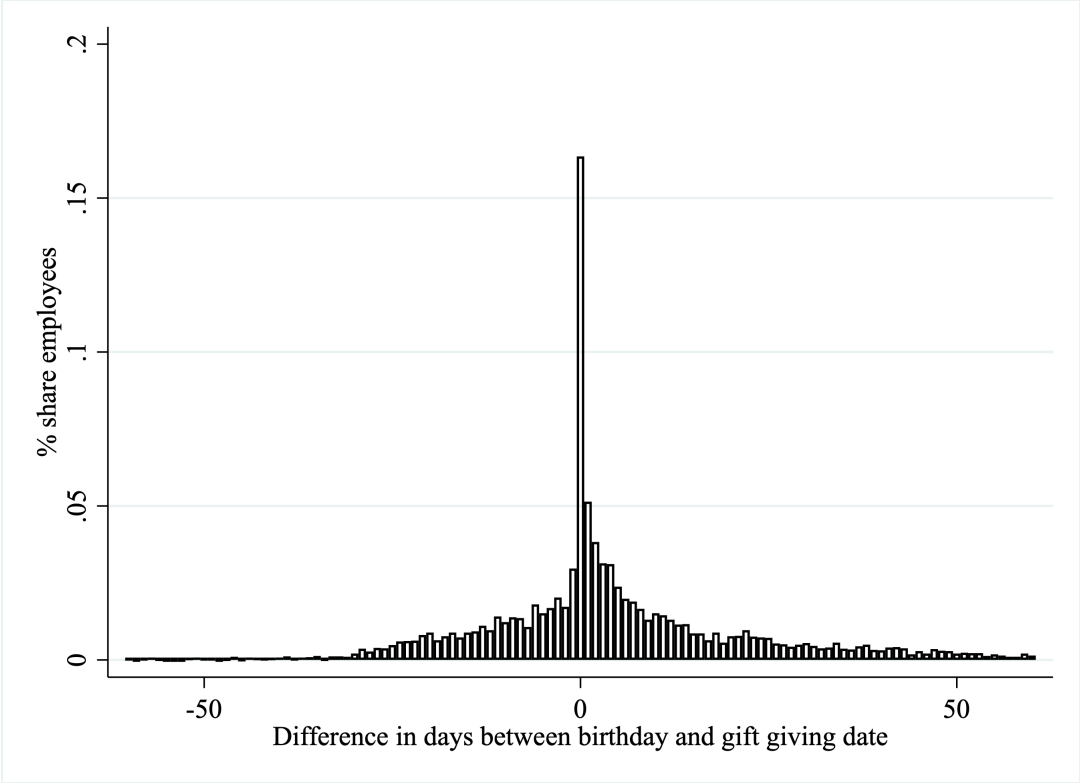
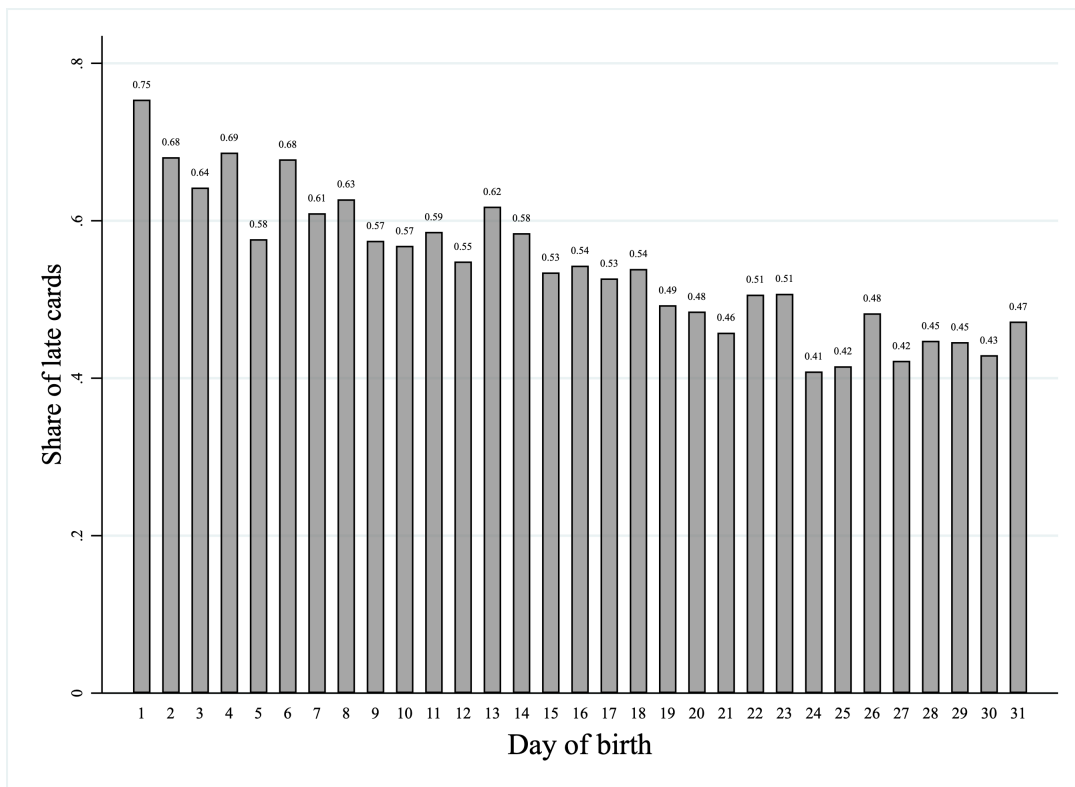
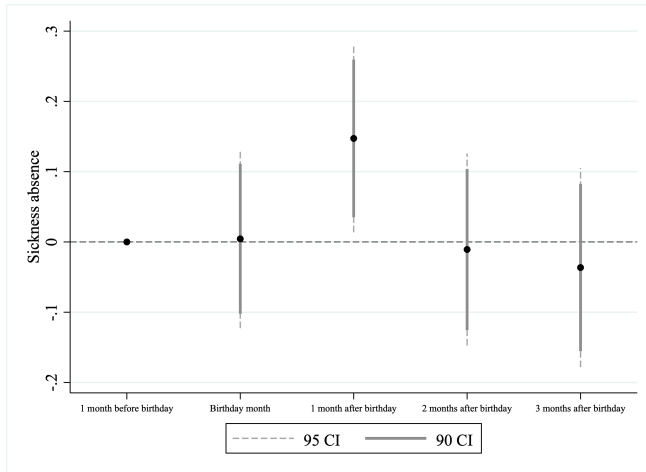


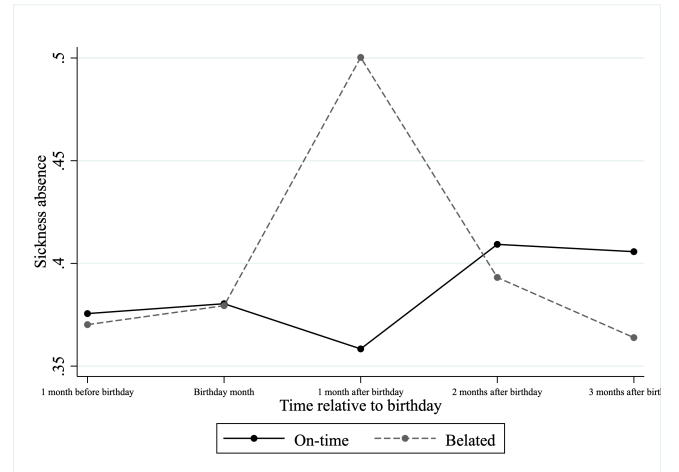
Figure 2: Share of late birthday gifts by day of birth





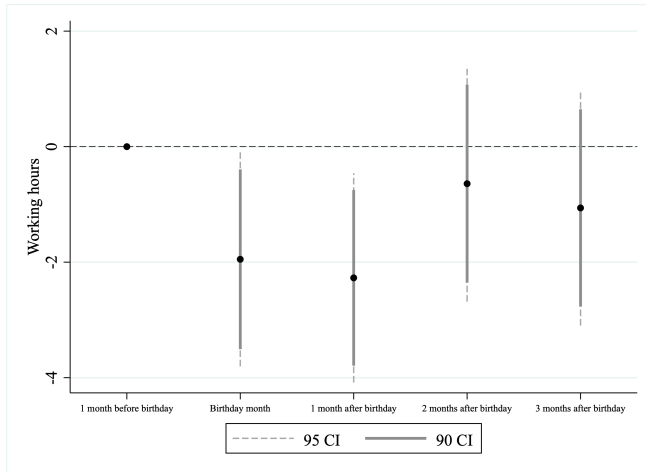


(a) Treatment effect

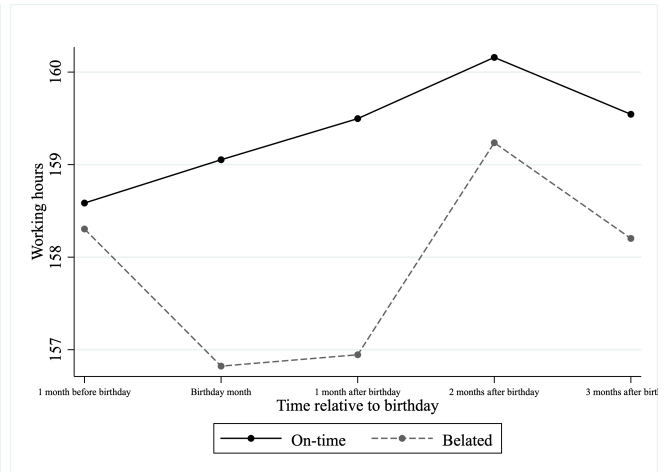


(b) Predictive margins

Figure 3: Treatment effect on sickness absence over time for an employee who waited one month for the birthday gift



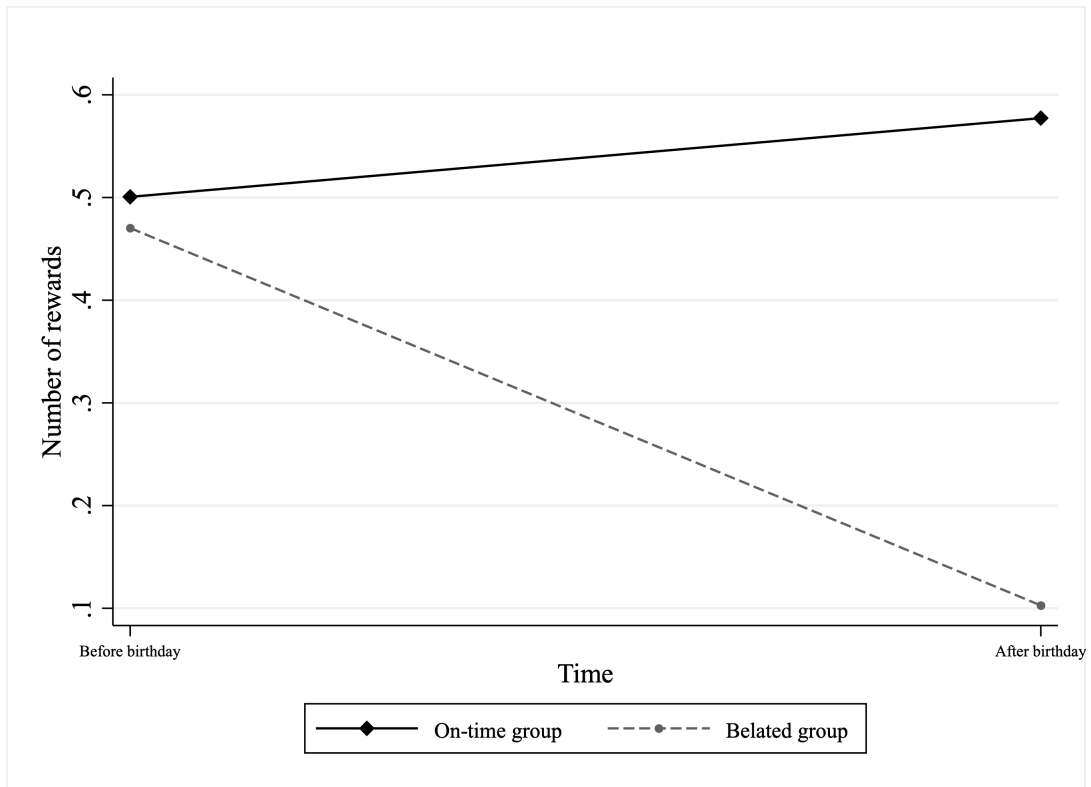
(a) Treatment effect

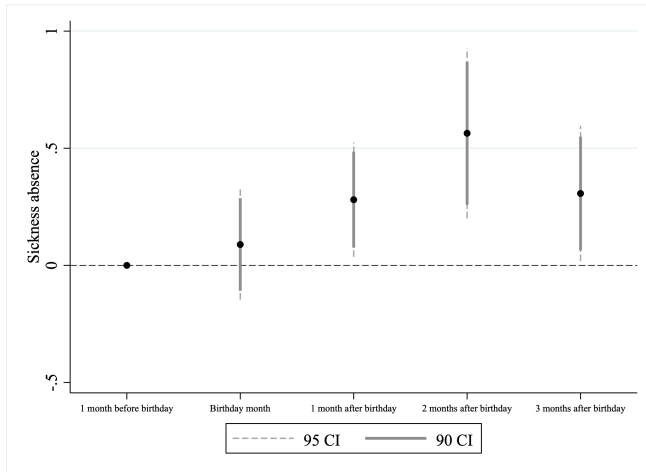


(b) Predictive margins

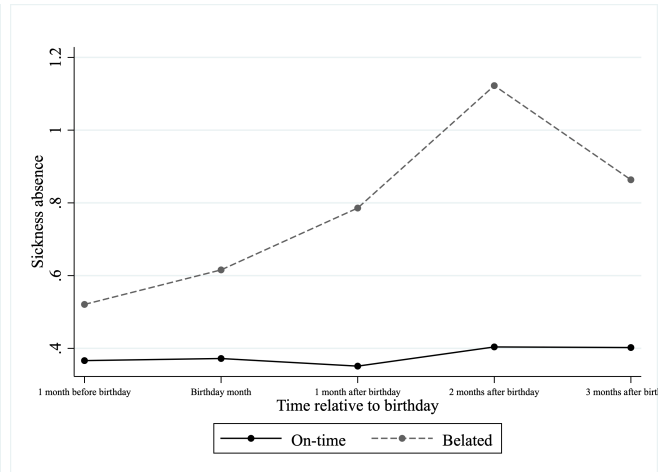
Figure 4: Treatment effect on working hours over time for an employee who waited one month for the birthday gift

Figure 5: The insult effect on rewards incentives



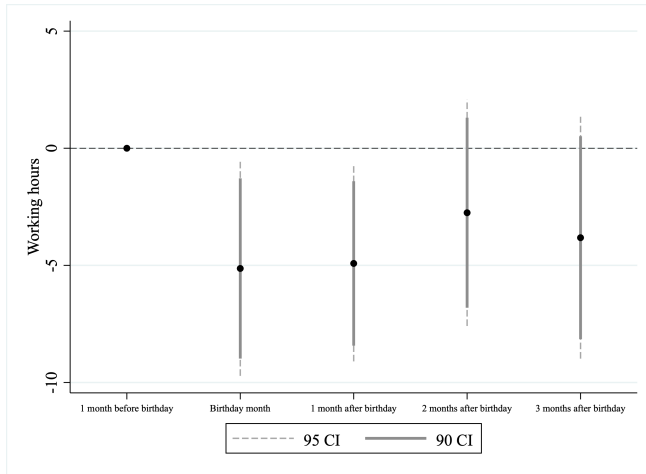


(a) Treatment effect

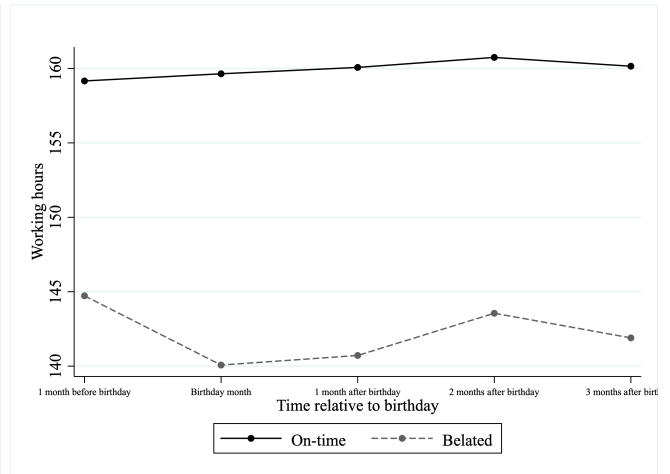


(b) Predictive margins

Figure 6: Treatment effect on sickness absence over time for an employee who waited two months for the birthday gift



(a) Treatment effect



(b) Predictive margins

Figure 7: Treatment effect on working hours over time for an employee who waited two months for the birthday gift

## Appendix

Table A1: Descriptive statistics of ineligible employees

	Mean	SD	Min	Max	N
Age	28.91	10.57	18	82	11833
Gender (Female=1)	0.69	0.46	0	1	11833
Managerial position	0.13	0.34	0	1	11833
Tenure in the store	1.06	2.02	0	33	11833
Tenure in the organization	1.75	3.14	0	40	11833
Voluntary turnover	0.59	0.49	0	1	11833
Involuntary turnover	0.09	0.28	0	1	11833
Monthly working hours	87.42	49.47	0	241	11525
Monthly vacation days	0.26	0.63	0	11	11525
Monthly sickness absence	0.23	0.91	0	27	11525
Number of rewards	0.04	0.17	0	4	7776

*Notes:* Employees who have worked for more than a year in the organization are eligible to receive a birthday gift card. The table presents descriptive statistics of employees who were not eligible to receive the birthday gift cards. Also, the table includes employees who left the organization before their birthday, and employees who had typos in their records as it appeared in the dataset.

Table A2: Comparing employees and store across years

<b>A. Employee level</b>						
	2018		2019		Diff	<i>t</i> -test
	Mean	SD	Mean	SD		
Age	33.692	11.147	34.002	11.460	-0.310	(-1.247)
Gender (Female=1)	0.777	0.416	0.771	0.421	0.007	(0.756)
Managerial position	0.327	0.469	0.331	0.471	-0.005	(-0.437)
Tenure in the store	4.971	4.688	4.902	4.758	0.069	(0.663)
Tenure in the organization	6.857	5.810	6.948	5.993	-0.090	(-0.697)
Voluntary turnover	0.100	0.300	0.117	0.322	-0.017**	(-2.509)
Involuntary turnover	0.015	0.122	0.021	0.143	-0.006**	(-1.985)
Monthly working hours	121.779	57.094	120.563	56.571	1.215	(0.971)
Monthly vacation days	1.019	0.709	1.084	0.799	-0.065**	(-3.914)
Monthly sick days	0.449	0.764	0.438	0.763	0.011	(0.670)
Number of rewards	0.306	0.724	0.128	0.233	0.179**	(11.839)
Birthday gift monetary value	161.181	121.889	161.326	122.553	-0.146	(-0.054)
Observations	3775		4554		8329	
<b>B. Store level</b>						
	2018		2019		Diff	<i>t</i> -test
	Mean	SD	Mean	SD		
Store seniority	14.634	9.007	14.877	9.241	-0.243	(-0.292)
Number of employees	50.349	17.812	39.551	13.203	10.798**	(7.531)
<i>N</i>	235		247		482	
<b>B. Manager level</b>						
	2018		2019		Diff	<i>t</i> -test
	Mean	SD	Mean	SD		
Manager's tenure in the organization	7.914	5.353	19.512	7.094	-11.597**	(-19.531)
Manager's tenure in the store	7.503	5.746	7.031	5.751	0.472	(0.889)
Empowering Leader	3.776	0.390	3.533	0.356	0.243**	(7.009)
<i>N</i>	235		247		482	

*Notes:* The table indicates on no significant differences between the two years in the study's main variables. There are statistically significant but yet economically negligible differences in voluntary turnover, involuntary turnover, and number vacation days. The average number of awards that were given in 2018 is significantly higher than the average number of awards that were given in 2019. This difference is generated mechanically by the gradual adoption of the appraisal awards program, by which store have selected into the program in a non-arbitrary way. At the store level, the difference in stores' size between the two years is originated in the opening of 1 new stores in 2019, which significantly lower the overall average of stores' size (i.e., number of employees). The organizational tenure of store managers was significantly higher in 2019 than in 2018 due to mobility of managers from the retail headquarters to the new stores. \*\*  $p < 0.05$ .

Figure A1: Working hours distribution

