# Work Over Just Cash: Informal Redistribution Among Employers and Workers in Kampala, Uganda 

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## Introduction

- Econ view of labor market: labor supply driven by consumption needs, labor demand driven by production needs
- Labor market as a social institution (Solow, 1990).
- Surplus labor models: in contexts with "unlimited labor supply," work is a way to share resources vs. profit max (Lewis, 1954; Sen, 1966; Ranis and Fei, 1961; Gollin, 2014)


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Labor supply:

- Work provides psycho-social value beyond income (Hussam et al., 2022)
- Labor supply driven by social preferences and norms (Bandiera et al.,

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Labor demand?

- Tend to assume profit max behavior.


## "What can rich people do to share earnings with poor people?"



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- No evidence that people give via work (pay above marginal product of labor).
- Unclear why not just maximize profits and then redistribute.


## This paper

RQ: Is work a channel of informal redistribution in poor countries?
Field experiment with 399 SMEs in Kampala (grain processing)

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Q1 Is there giving via work?

- Employers and workers systematically choose to give/receive via work (vs cash)
- Large WTP for work on both sides


## This paper

RQ: Is work a channel of informal redistribution in poor countries?
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Q1 Is there giving via work?

Q2 What drives work redistribution?

- Employers and workers systematically choose to give/receive via work (vs cash)
- Large WTP for work on both sides


## This paper

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Field experiment with 399 SMEs in Kampala (grain processing)

Q1 Is there giving via work?

## Q2 What drives work

 redistribution?- Employers and workers systematically choose to give/receive via work (vs cash)
- Large WTP for work on both sides
- NOT driven by productivity, signaling or instrumental considerations.
- Motivations reflect fairness and social value of work:
- $60 \%$ : "has to work to receive money"
- 30\%: dignity and personal development

Giving via work in the experiment predicts more hiring, but no difference in productivity or firm size.

## Related literature and contributions

1. Labor markets in poor countries
e.g., Lewis (1954); Sen (1966); Ranis and Fei (1961); Bardhan (1979); Gollin (2014) LaFave and Thomas (2016); Kaur (2019); Breza et al. (2019, 2021); Hussam et al. (2022)

On both sides of the labor market work has a social value, orthogonal to productivity, which drives labor demand and labor supply.
2. Redistribution, transfers and sharing arrangements (in poor countries)
e.g., Fafchamps (1992); Townsend (1994, 1995); Foster and Rosenzweig (2001) : existence and welfare effects Jakiela and Ozier (2016); Squires (2021); Carranza et al. (2022): distortions
Besley and Coate (1992); Bertrand et al. (2021): workfare vs. welfare. Haushofer and Shapiro (2016, 2018); Bursztyn and Coffman (2012): CCT vs UCT
Employment relevant channel of informal redistribution in poor countries.
3. Firm productivity and inefficient management practices in poor countries e.g., Hsieh and Klenow (2009); De Mel et al. (2008); McKenzie and Woodruff (2014); McKenzie (2021); Atkin et al. (2017, 2019); Anderson and McKenzie (2022); Hardy and McCasland (2023)
Bandiera et al. (2005); Breza et al. (2018) - social preferences and workers productivity
Explanation for why managers may not make prof max choices: social preferences.

## Empirical Strategy

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Goal 1: Experimentally measure work redistribution

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- Pair employers and workers of various firms.
- Give money to employers, induce redistribution.
- Incentives: 5\% randomly implemented
- Measure redistribution choices: work vs. cash
- Employers: giving; workers: receiving.
- Non-trivial: multiple price list, vary wage/transfer.


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## Design Features:

- Anonymous choices $\rightarrow$ common to give to strangers
- Private and one-off decisions $\rightarrow$ no social pressure
- Constrained redistribution $\rightarrow$ follows expectations, can test thanks to price variation


Work tasks selected from common activities
Tasks: 30 min task, market wage UGX 3,000.


Sealing


Weighting


Loading

## Example: Employers

Initial payoffs: employer UGX 15,000/\$4; worker UGX 1,000/\$0.25.

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Hiring at UGX 3,000 or UGX 3,000 transfer

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## Example: Employers

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Hiring at UGX 6,500 or UGX 3,000 transfer ...

Hiring at UGX 3,500 or UGX 3,000 transfer

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## Example: Employers



## Outcomes

$$
\text { Hiring at UGX } \mathbf{3 , 0 0 0} \text { or UGX } \mathbf{3 , 0 0 0} \text { transfer }
$$

## 2

Hiring at UGX $\mathbf{1 0 , 0 0 0}$ or UGX $\mathbf{3 , 0 0 0}$ transfer
$\square$
Hiring at UGX $\mathbf{5 0 0}$ or UGX 3,000 transfer


Hiring at UGX 3,000 or UGX $\mathbf{5 0 0}$ transfer


Hiring at UGX 3,000 or UGX 6,500 transfer

- Work: dummy for work choice, for each binary choice.


## Outcomes



Experimental variations and goals

## Experimental variations and goals

## Goal 2: Identify the drivers

- Economic value of work: Value tasks vs. non value tasks (sweeping, busywork)
- random task, between subject in Main Game
- Signaling or relational value of work: Spectator Game (choices for other pair)
- within subject, random order of Main and Spectator Game
- Aversion to giving cash: Food vs. cash game.
- subset of 99 employers

Results

## Work redistribution choices



## Work redistribution choices



## Inelastic to prices: Employers



## Work redistribution choices



## Not just aversion to giving cash

Food vs. Cash Game (employers):


## Willingness to pay for work: Workers



## Drivers of Work Redistribution

Is work redistribution explained by an economic value of work?


## Giving via work does not depend on value of task



## Giving via work does not depend on value of task



Workers: Receiving via work does not depend on value of task


Are decision driven by a signaling value of work?


## Spectator Game vs. Main Game, employers



## Spectator Game vs. Main Game, workers



## Motivations for work redistribution

## Motivations for work redistribution: Employers



[^0]Wage (UGX)

## Employers and workers motivations are aligned



## Conclusions, External Validity, and Implications

## External validity

Labor demand:

- Giving via work in the experiment predicts more hiring, but no difference in productivity or firm size.
- Give work and firm input . Give work and firm performance


## External validity

## Labor demand:

- Giving via work in the experiment predicts more hiring, but no difference in productivity or firm size.
- Give work and firm input
- Give work and firm performance

Labor supply:

- Job take up is very frequent in the experiment: previous literature finds often low take up of jobs.
$\Rightarrow$ short, one-off familiar jobs.
$\Rightarrow$ job amenities relevant for labor supply in poor countries.


## Conclusions

- Identify a strong willingness to pay to give/receive via work in low-income setting.
- Not explained by productivity concerns, signaling or personal instrumental benefits $\Rightarrow$ Social function of work (redistribution):
- Labor demand driven by profit-maximization.
- Micro-foundation for disguised unemployment (surplus labor model assumption)


## Conclusions

- Identify a strong willingness to pay to give/receive via work in low-income setting.
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## Implications

- Organization of production productivity:
- Mechanically reduce output per worker
- Large: $46 \%$ of employers say they gave work to help someone, $38 \%$ despite no need for work; $4 \%$ of firm's profits
- More workers $\rightarrow$ more inputs (monitoring time, machines, capital)
- Social assistance programs:
- Workfare vs. welfare: receiving work better aligns with preferences.
- CCT vs. UCT discussion: cash transfers lack reciprocity, may be perceived as unfair.


# Thank you! <br> jeremia.stalder@unisg.ch 

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## Employers and Workers Characteristics

|  | Employers |  |  | Workers |  |
| :--- | :---: | :---: | :---: | :---: | :---: |
|  | Mean | Median |  | Mean | Median |
| N | 399 |  | 449 |  |  |
| Gender: male | $70.43 \%$ |  | $95.55 \%$ |  |  |
| Age (years) | 33.22 | 32 | 26.02 | 25 |  |
| Nationality: Ugandan | $99.5 \%$ |  | $99.78 \%$ |  |  |
| Education (years) | 8.91 | 6 | 7.37 | 6 |  |
| Employment position |  |  |  |  |  |
| $\quad$ Manager | $52.38 \%$ |  |  |  |  |
| $\quad$ Owner | $47.62 \%$ |  |  |  |  |
| Income (monthly, USD) | 96.08 | 105.26 | 77.16 | 69.92 |  |
| Tenure firm (years) |  |  | 1.93 | 1 |  |
| Employment type |  |  |  |  |  |
| $\quad$ Permanent worker |  |  | $59.22 \%$ |  |  |
| $\quad$ Casual worker |  |  | $0.56 \%$ |  |  |
| $\quad$ Trainee |  |  | $0.22 \%$ |  |  |
| Days worked (in typical week) |  |  | 10.43 | 11 |  |
| Hours worked (on typical day) |  |  | 3.46 | 3 |  |
| Hours idle time (of 10h) |  |  | $10.96 \%$ |  |  |
| Has written contract |  |  |  |  |  |

## Payoff maximization benchmark, employers



- Back


## 50-50 split benchmark, employers



- Back


## Employers' choices are inelastic to transfers



## Perception of work productivity

"In the past month, have you given anyone a job in order to help them out financially?"
August 2022 March 2023


- Back


## Employers: Work redistribution decisions by task

Task does not affect giving via hiring: same choices when task has very little or no value.

|  | (1) Work | (2) Work | (3) Work | (4) Work | (5) Work | (6) WTP | (7) WTP | (8) WTP | (9) WTP | (10) WTP |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Task: offloading | $\begin{aligned} & \hline-0.040 \\ & (0.045) \end{aligned}$ |  |  |  |  | $\begin{aligned} & \hline-0.688 \\ & (0.350) \end{aligned}$ |  |  |  |  |  |
| Task: sealing | $\begin{gathered} -0.008 \\ (0.048) \end{gathered}$ |  |  |  |  | $\begin{gathered} -0.761 \\ (0.374) \end{gathered}$ |  |  |  |  |  |
| Task: weighing | $\begin{gathered} -0.003 \\ (0.043) \end{gathered}$ |  |  |  |  | $\begin{gathered} -0.299 \\ (0.367) \end{gathered}$ |  |  |  |  | Note: WTP is the maximum willingness to pay (thousand UGX). |
| Task: sweeping | $\begin{aligned} & -0.036 \\ & (0.050) \end{aligned}$ |  |  |  |  | $\begin{aligned} & -1.150 \\ & (0.386) \end{aligned}$ |  |  |  |  | Standard errors are clustered at the respondent level. |
| Busywork |  | $\begin{gathered} 0.021 \\ (0.038) \end{gathered}$ |  |  |  |  | $\begin{gathered} 0.531 \\ (0.312) \end{gathered}$ |  |  |  |  |
| Sweeping |  |  | $\begin{gathered} -0.014 \\ (0.031) \end{gathered}$ |  |  |  |  | $\begin{gathered} -0.435 \\ (0.256) \end{gathered}$ |  |  |  |
| Effort (1-4) |  |  |  | $\begin{aligned} & -0.012 \\ & (0.013) \end{aligned}$ |  |  |  |  | $\begin{gathered} 0.086 \\ (0.105) \end{gathered}$ |  |  |
| Piece rate task (thousand UGX) |  |  |  | $\begin{aligned} & -0.078 \\ & (0.100) \end{aligned}$ |  |  |  |  | $\begin{aligned} & -0.536 \\ & (0.652) \end{aligned}$ |  |  |
| Tenure task (days) |  |  |  | $\begin{gathered} 0.001 \\ (0.002) \end{gathered}$ |  |  |  |  | $\begin{gathered} 0.003 \\ (0.017) \end{gathered}$ |  |  |
| No stakes |  |  |  |  | $\begin{gathered} 0.013 \\ (0.007) \end{gathered}$ |  |  |  |  | $\begin{gathered} 0.203 \\ (0.072) \end{gathered}$ | 4 Back |
| Fixed effects |  |  |  |  |  |  |  |  |  |  |  |
| Choice type | Y | Y | Y | Y | Y | N | N | N | N | N |  |
| Firm location | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |  |
| Main activity | Y | Y | Y | Y | Y | Y | Y | Y | Y | Y |  |
| Respondent | N | N | N | N | Y | N | N | N | N | Y |  |
| Task | N | N | N | N | Y | N | N | N | N | Y |  |
| Mean outcome | 0.865 | 0.869 | 0.864 | 0.865 | 0.865 | 6.085 | 6.177 | 6.048 | 6.085 | 6.085 |  |
| Obs. | 8778 | 6886 | 7810 | 6864 | 17556 | 399 | 313 | 355 | 312 | 798 |  |
| R2 | 0.072 | 0.082 | 0.073 | 0.078 | 0.441 | 0.110 | 0.102 | 0.118 | 0.095 | 0.844 |  |

## Regression specifications

## Task ATE:

$$
\begin{equation*}
Y_{i j}=\alpha+\phi I_{\text {task }, i}+\gamma_{i}+\lambda_{j}+u_{i j} \tag{1}
\end{equation*}
$$

Busywork ATE:

$$
\begin{equation*}
Y_{i j}=\alpha+\beta_{1} l_{\text {busywork }, i}+\gamma_{i}+\lambda_{j}+v_{i j} \tag{2}
\end{equation*}
$$

Piece rate and tenure correlation:

$$
\begin{equation*}
Y_{i j}=\theta_{0}+\theta_{1} \text { Piecerate }_{i}+\theta_{2} \text { TenureRequirement }_{i}+\gamma_{i}+\lambda_{j}+\nu_{i j} \tag{3}
\end{equation*}
$$

where:

- $\gamma_{i}$ are fixed effects for geographic location and main activity fixed effects;
- $\lambda_{j}$ are fixed effects for wage and transfer.
- Standard errors are clustered at the respondent level.

Work redistribution decisions: Main game vs. Spectator game

|  | $(1)$ <br> Overall | $(2)$ |
| :--- | :---: | :---: |
|  | Work | WTP |
| Spectator game | 0.013 | 0.203 |
|  | $(0.007)$ | $(0.072)$ |
| Fixed effects |  |  |
| Choice type | Y | N |
| Respondent | Y | Y |
| Task | Y | Y |
| Firm location | Y | Y |
| Main activity | Y | Y |
| Mean (main game) | 0.872 | 6.085 |
| Obs. | 17556 | 798 |
| R2 | 0.441 | 0.844 |


|  | $(1)$ <br> Overall | $(2)$ |
| :--- | :---: | :---: |
|  | Work | WTP |
| Spectator game | -0.004 | 0.017 |
|  | $(0.005)$ | $(0.028)$ |
| Fixed effects |  |  |
| Choice type | Y | N |
| Respondent | Y | Y |
| Task | Y | Y |
| Firm location | Y | Y |
| Main activity | Y | Y |
| Mean (main game) | 0.876 | 3.004 |
| Obs. | 19756 | 898 |
| R2 | 0.370 | 0.935 |

Employers
Workers

## Work redistribution and firm inputs

$\left.\begin{array}{lcccc}\hline & \begin{array}{c}(1) \\ \mathrm{N} \text { workers } \\ (\mathrm{std})\end{array} & \begin{array}{c}(2) \\ \mathrm{N} \text { permanent } \\ (\mathrm{std})\end{array} & \begin{array}{c}(3) \\ \text { workers }\end{array} & \begin{array}{c}(4) \\ \text { machines } \\ (\mathrm{std})\end{array}\end{array} \begin{array}{c}\text { Workers' earnings } \\ (\mathrm{std})\end{array}\right]$

Note: Choice type, task, firm location and main activity fixed effects. Workers' earnings are the average of the monthly earnings (thousand UGX) for all workers we interviewed at a given firm. Standard errors are clustered at the respondent level.

## Does work redistribution (extra work) predict firm performance?

|  | $(1)$ | $(2)$ | $(3)$ | $(4)$ |
| :--- | :---: | :---: | :---: | :---: |
|  | $\log ($ Firm profits) | $\log ($ Firm revenues $)$ | $\log ($ Firm sales $)$ | $\log ($ Revenues UGX 250,000) |
| Giving via work | 0.003 | 0.027 | 0.016 | 0.002 |
|  | $(0.028)$ | $(0.030)$ | $(0.024)$ | $(0.002)$ |
| Max amount given (thousand UGX) | 0.020 | 0.013 | 0.010 | -0.014 |
|  | $(0.052)$ | $(0.053)$ | $(0.051)$ | $(0.007)$ |
| Fixed effects |  |  |  | Y |
| Task | Y | Y | Y | Y |
| Firm location | Y | Y | Y | 5.635 |
| Main activity | Y | Y | 372 |  |
| Mean outcome | 7.419 | 9.214 | 1.715 | 0.065 |
| Obs. | 303 | 338 | 387 |  |
| R2 | 0.286 | 0.314 | 0.305 |  |

Note: Choice type, task, firm location and main activity fixed effects. Some employers refused to report their profits and revenues inducing a drop in observations. Firm revenues and firm profits are recorded for August 2022 and are reported in USD. Firm sales are the monthly sales for a firm in August 2022, in tonnes. Revenue from UGX 250,000 input refers to the self-reported revenue an employer would make from purchasing UGX 250,000 worth of inputs. Standard errors are clustered at the respondent level.

## Experimental Wording

Part of your earnings from the survey are determined by a lottery. All individuals who participate in the survey are paired together with another person from Kampala and each pair enters a lottery, which selects some of the pairs. If a pair is selected by the lottery: one person, let us call him/her Person A, earns UGX 15,000 and the other person, Person B, earns UGX 1,000. Before payoffs are delivered, either one person in the pair or a third party person has the chance to redistribute part of the money from Person A to Person B.

In the following questions, we ask you how you want to split the payoffs. You are going to make two sets of decisions. In one set of decisions, you are going to be the third party person who decides how to split the lottery payoffs for another pair; In another set of decisions, you are going to decide how to split the payoffs in your own pair as if you are the lottery winner. At the end of the survey, the lottery will select 20 pairs. For each pair, we will select one decision maker, and one choice. We will deliver the money to the people in the pair according to the decision maker's choices. If you are selected as the decision maker we will implement one of your choices.

## Motivations for work redistribution: Employers, transfer varying



## Are decision driven by a relational value of work?

- We rely on respondents acting as "social planners"
- Employers' side:
- If they make decisions based on their personal benefit
$\rightarrow$ less likely to choose redistribution in Spectator game, especially when it is valuable for themselves but costly for the worker
- Workers' side:
- If they make decisions based on their personal benefit
$\rightarrow$ lower likelihood for work redistribution especially for low value tasks
- Main and Spectator Game not statistically different


[^0]:    - Transfer varying

