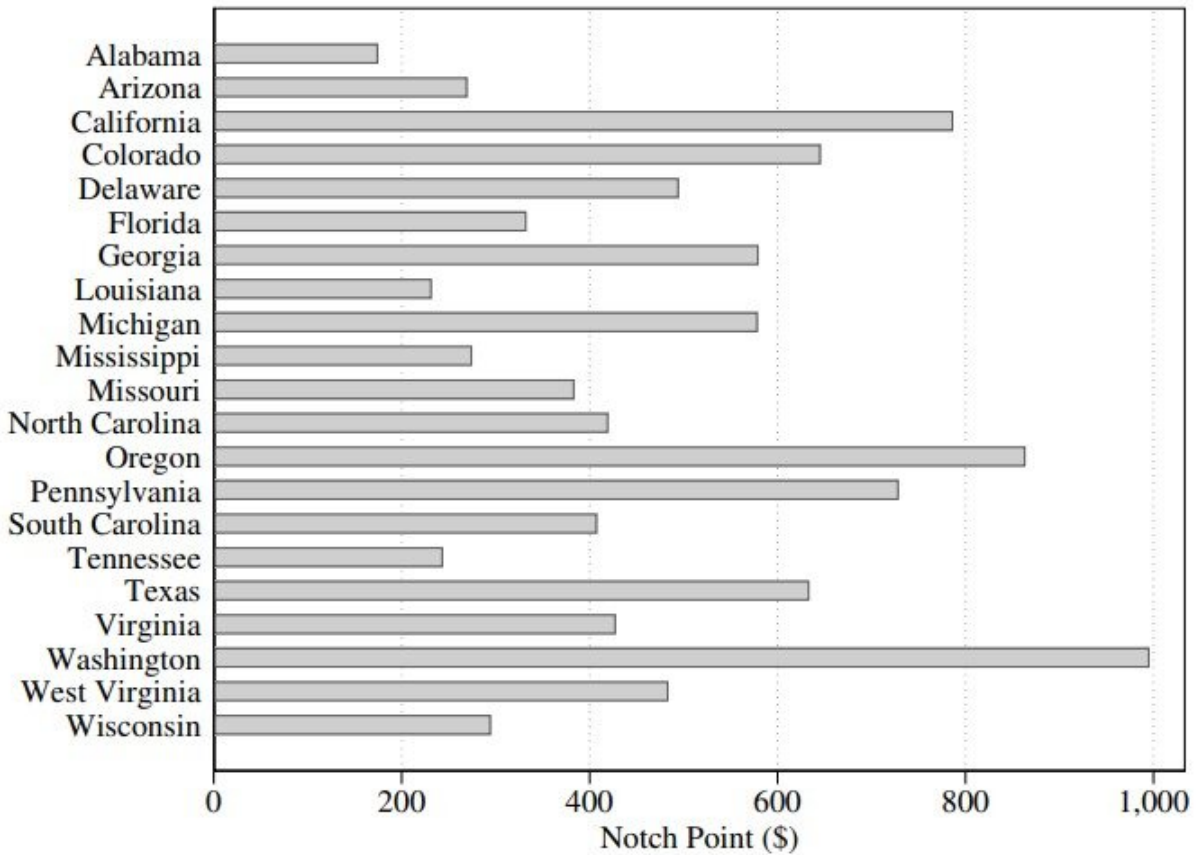


Novel method for pricing working conditions

July 20 2022, by Massimo Anelli



Notch point by state. The figure shows maximum allowable earnings while receiving FPUC payments for MWB recipients across U.S. states. Credit: <https://docs.iza.org/dp14919.pdf>

New online platform technologies are redefining what employment relationships look like. Many firms do not offer permanent jobs to

workers but employ workers at a "piece-rate" or hourly basis, often requiring workers to work on their own accounts as contractors or "Gig workers" (Agrawal et al., 2013). While wages in these positions may be comparable (Cook et al. 2018, Hall & Krueger 2016), there are stark differences in workers' rights, safety protection, and access to a variety of workplace benefits. Efforts to enforce minimum standards for such contract dimensions have received relatively little attention.

Many anecdotes document the harrowing working [conditions](#) in many low-paid jobs. Large corporations are no exception, Amazon warehouse [workers](#) reportedly are discouraged from taking bathroom breaks and use bottles to go to the toilet, in addition, these workers are experiencing extremely high injury rates, reportedly because of the rushed working conditions. Other low-paid workers reportedly face problems with schedule uncertainty. Some workers, including delivery drivers and many other gig workers, do not know when their workday will end when they show up to work. Employers require that workers finish all tasks before they are allowed to leave and leaving work earlier may put the worker at risk of losing their job and income.

Such schedule uncertainty is particularly challenging for people who work multiple jobs or have childcare or other family commitments. Poor working conditions disproportionately affect low-paid workers, often in less permanent jobs. Women, migrants and minority workers are heavily overrepresented in these types of contracts.

Some worry that these poor working conditions are getting amplified by modern work relationships and that the erosion of traditional employment contracts worsens working conditions. As more and more jobs are short-lived, firms have fewer incentives to invest in the long-term health and well-being of their workers, and workers in such contracts typically lack access to channels that allow them to report harassment or other grievances. On the other hand, gig workers may

enjoy greater autonomy over their work but do not have access to most employer-provided benefits.

Many commentators have criticized this shift, while others have celebrated it. At the heart of this debate is the question: How should we value non-wage aspects of work? Can we price the ethical standards of jobs? With the advent of new technologies and the increased flexibility of work, worse working conditions are often not priced into the wage. Although the hourly wage of these new jobs might be comparable to that of more traditional jobs, the total value of the former jobs might be lower when considering non-wage benefits.

The study, titled "Willingness to Pay for Workplace Safety" introduces a novel method for pricing working conditions, which allows researchers and [policy makers](#) to calculate the price workers assign to working conditions by measuring how much money they are willing to leave on the table to avoid being exposed to poor working conditions. This approach is called a revealed preferences approach and measures workers' valuation of alternative working conditions by observing whether workers are willing to forgo income when working conditions worsen.

The basic intuition followed by the method is the idea that workers are less responsive to financial disincentives when their work provides a great workplace environment (e.g., workers enjoy the work and colleagues). Conversely, when work is characterized by harsh working conditions, e.g., due to health risk or mobbing, workers are more likely to respond to financial incentives. In this latter case, income eligibility thresholds for welfare benefits and other budget discontinuities have an amplified impact on labor supply. This new estimation approach allows for the implementation of quasi-experimental identification strategies (potentially as good as randomized trials) to estimate the value of poor working conditions for a wide variety of work arrangements.

More information: Willingness to Pay for Workplace Safety:
docs.iza.org/dp14919.pdf

Provided by Bocconi University

Citation: Novel method for pricing working conditions (2022, July 20) retrieved 23 June 2024
from <https://phys.org/news/2022-07-method-pricing-conditions.html>

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