

Power and Dignity in the low wage labor market: evidence from Walmart workers

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Abstract:

We present a survey-based methodology for estimating employer market power and worker valuations of job amenities. We discuss a simple model of a monopsonistic employer choosing wages jointly with non-wage working conditions. We show that a distinctive prediction of monopsony is that just-binding minimum wages are not offset by lowered workplace characteristics that are complementary with wages. To implement our methodology, we draw on extensive ethnographic work conducted with 87 Wal-Mart workers to design and implement a survey experiment with over 10,000 Wal-Mart workers recruited online. Using responses to hypothetical outside offers and link click-through rates, we find a quit elasticity of roughly 2, consistent with other recent research showing monopsony power in the low-wage labor market. Motivated by the ethnographic evidence, we expand the set of amenities to include subjective experiences of supervisor respect and fairness, self-expression on the job, and reliable co-workers, which we jointly call "workplace dignity", following a large sociological literature. We find that workers value workplace dignity at approximately six percent of their current wage, comparable to amenities like commute time and more valuable than widely discussed amenities like control over one's schedule or physical exertion. Second, we use geographic variation in the bite of Wal-Mart's 2014 voluntary minimum wage policy to estimate the causal impact of higher wages on amenities. Consistent with both employer market power and wage-amenity complementarities, we find that the subjective experience of work does not become worse when wages are increased as a result of the voluntary minimum wage. We can rule out declines in valued experiences of work smaller than 10% of the increase in wages caused by the voluntary minimum wage. We conclude that the interaction of employer market power with worker's valuations of respect and fairness at work imply that large low-wage employers may under-supply both wages and job amenities, including workplace dignity.