**ABSTRACT**

***“SCABS: NORM-DRIVEN SUPRESSION OF LABOR SUPPLY”***

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A distinguishing feature of the labor market is repeated interpersonal interaction among co-workers. A long tradition in social science posits that this provides a backdrop against which social norms could potentially develop and influence worker behavior. We use a field experiment to test whether community-wide norms against accepting wage cuts distort workers' labor supply during periods of unemployment.  We undertake our test in informal spot markets for casual daily labor in India. We partner with 183 existing employers, who offer jobs to 502 randomly-selected laborers in their respective local labor markets. The job offers vary: (i) the wage level and (ii) the extent to which the offer is observable to other workers.  On average, 26% of workers accept a job if it is offered at the prevailing wage, with no distinguishable differences by observability. In contrast, observability strongly mediates labor supply below the prevailing wage: while 18% accept work at a wage cut in private, this plummets to 4% when wage cuts are offered in public.  The consequences of this behavior are substantial: workers give up 38% of average weekly earnings in order to avoid being seen as breaking the social norm.  In a supplementary exercise, we document that workers are willing to pay to punish anonymous laborers who have accepted a wage cut. Costly punishment occurs both for workers in one's own labor market, and for workers in distant other labor markets--suggesting the internalization of norms in moral terms. Our findings support the presumption that collusive norms can develop even in the absence of formal labor institutions, and can play a role in constraining labor supply at economically meaningful magnitudes