

"Subsidy, Shirking, and Strategy: Assessing the Effects of Consumption Subsidies on Worker Effort and Intervening Strategies"

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Research Questions

- How do low-income workers respond to a consumption subsidy?
- How do employers respond to changes in workers' behaviors when the workers receive a subsidy?

Why are these important?

- More studies (on workers) are needed.
- Little is known about potential negative externality on employers.

How do I do it and what do I find?

How do I do it?

- I exploit eligibility criteria of the consumption subsidy program in Thailand during the COVID-19.

What do I find?

- Subsidy causes workers to shirk more (increased lateness + absenteeism).
- The employer/manager responds to shirking by reallocating tasks across workers (subsidy recipients vs non-recipients) which stabilizes overall productivity.
- Both reduced worker efforts and strategic interventions revert to their pre-subsidy levels after the program ends.

Subsidy Program (Oct, 2020 - March, 2021)

- During the COVID-19 pandemic, the Thai government initiated a consumption subsidy program known as the 'half-and-half'.
 - And purchase of eligible goods and services are subsidized by half and capped at 150 THB per day or around (4 EUR) and cumulatively up to about 100 EUR for a period of 5 months.
 - Daily minimum wage = 9 EUR per day

The firm

- A large garment manufacturing company with HQ in Bangkok, Thailand.
- Hire both Thai (60%) and Non-Thai (Myanmar) (40%) workers. Both Thai and Myanmar workers work in the same environment, doing the same tasks, and most importantly they are paid the same.

Only Thai workers are eligible for the subsidy program. Myanmar workers are not.

Shirking – Unplanned Non-attendance

- Not showing up for work or late without informing supervisors is considered unplanned non-attendance.
- Even though workers are paid a daily minimum wage, they are required to show up for work or else they may lose their jobs.
- Any unplanned non-attendance of workers creates a bottleneck and makes operation planning very difficult. This may lead to productivity losses.
- During the subsidy period, Thai workers are 33 % more likely to be late and 42.5 % more likely to be absent compared to Myanmar workers.
- (Intensive margin) Both lateness in minutes and absent rates also increase.

Shirking – Lateness

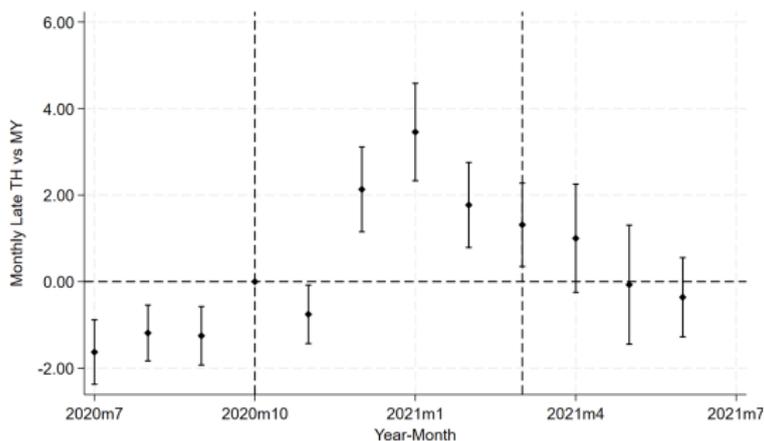


Figure: Monthly Average Lateness (Minutes) TH vs MY workers.

Note: Vertical dashed lines mark the beginning and the end of the subsidy period

COVID-19 in Thailand significantly worsened after the program ended. The fact that shirking behavior goes back to the pre-subsidy period rules out COVID-19 confounders.

Thai workers make about 4 % less compared to Myanmar workers during the subsidy period. The reduction comes from both Incentive pay and overtime pay.

Table: Salary Outcomes

	(1)	(2)	(3)	(4)
	Net Salary	Incentive Pay	OT Salary	Working Days
	b/se	b/se	b/se	b/se
Thai X Program	-394.582*** (40.374)	-226.735*** (16.890)	-156.768*** (23.586)	-0.033 (0.085)
Thai X Post	877.090*** (63.953)	48.518*** (12.536)	460.327*** (25.553)	1.090*** (0.133)
Obs	25,975	25,975	25,975	25,975
Y mean	9,609.73	95.48	1,911.27	23.62
Worker FE	Y	Y	Y	Y
Month FE	Y	Y	Y	Y

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$.

Standard errors are clustered at the worker level. The first and last months of observations of workers are removed.

- With the results documented so far, one might expect the production to be heavily affected by the shirking behavior.
- However, I do not find evidence that production efficiency was affected. In fact, production efficiency remains stable throughout the period.
- I documented that the firm strategically intervened to mitigate the effects of diminished worker's effort through **Task Reallocation**.
- More challenging tasks were assigned to Myanmar workers, while less difficult tasks were assigned to Thai workers.

Strategy–Task Reallocation

- (Tasks) The number of styles workers produce in a day and the number of new styles are key determinants of efficiency.
- Thai workers received about 14% fewer styles and about 28% fewer new styles. This task reallocation strategy reverted back to the pre-subsidy period.

Table: Tasks Reallocation

	(1)	(2)	(3)	(4)
	Number of Style	>1 Style (0,1)	New Styles	Team with New Styles (0,1)
	b/se	b/se	b/se	b/se
Thai X Program	-0.188** (0.081)	-0.155*** (0.048)	-0.667** (0.273)	-0.150*** (0.053)
Thai X Post	0.188 (0.117)	0.070 (0.053)	0.161 (0.334)	0.035 (0.060)
Obs	21,309	21,309	21,309	21,309
Y mean	1.33	0.25	2.69	0.69
Line FE	Y	Y	Y	Y
FAC x Date FE	Y	Y	Y	Y

* $p < 0.10$ ** $p < 0.05$ $p < 0.01$ Standard errors are clustered at the line level. '>1 Style (0,1)' is a dummy variable equal (1 if work with more than one style in a day, 0 otherwise). 'New Styles' is the number of new styles that the team has to produce in one day. Team with New Styles (0,1) is a binary variable coded as 1 if the team is assigned at least one new style in a day.

Summary

- I document the adverse effects on employee effort for subsidy recipients in the context of low-income workers in Thailand.
- I found that the firm strategically intervened by reallocating tasks that are more difficult to Myanmar workers and therefore was able to mitigate any adverse effects on the overall productivity level.

Policy Implication

- In this context, the studied firm's productivity is unaffected but this is primarily due to its management intervention.
- This might not hold for smaller firms where management capital may not be as robust.