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Rural Labor Markets: What's wrong with being a daily worker?

In Sub-Saharan Africa, most labor employed on the farm and in family enterprises is family labor. When we account for the time by family members on the farm and enterprise profits, we find that they are making less per hour than they would be making in the unskilled informal labor market. Our first reaction to this trend is to think along the lines of our well-known economic models - we assume that since people are given to be rational, why would they stay in a job where they are essentially losing money? Wouldn't it in fact be rational for these household members to work less on the farm and in family enterprises, and rather engage more in paid labor? Yet across Southern Mali, we don't see any evidence of this 'rationality'.

The Rural Labor Market Project - proposed by Dean Karlan, Chris Udry, Lori Beaman, and Bram Thuysbaert and managed by IPA-Mali - aims to conduct a number of experiments to disentangle what could be economically important frictions in the labor market. But before starting any relevant intervention, we needed basic knowledge of the field parameters and some explanation for the lack of rational choice - What is the market wage? Are people willing to work for that amount? If not, why?

Through initial focus group discussions and individual interviews across villages in the region, we were assured that the market wage was fixed at 1000 FCFA/day for men (approximately \$2). To test the range of wages which workers would be willing to work at, around this supposedly fixed rate we visited 4 villages and randomly chose men from our sample population. We asked them if they would accept a wage ranging from 10,000 FCFA/month to 25,000 FCFA/month for a 5 day week (around 500 FCFA to 1250 FCFA/day). To our surprise, this interested very few men - out of 31 men interviewed in 3 of the villages, only 4 agreed to participate. In one village, it not only didn't interest them, but they considered it shameful for us to come and ask them to supply daily labor. This notion of disgrace in working for others seemed to be ubiquitous - elders didn't allow their sons to engage in paid labor for fear of

social judgment, young men migrated in search of daily jobs knowing their parents would track them down if they worked in neighboring villages.

We could now come back to our first assumption with a bit more knowledge at hand. Why are people clearly defying the basic incentive of changing paths in order to earn more money? This project gives us an answer and an important lesson for researchers to remember. The reality is that not all influences on behavior conform to our traditional economic models, and can't all be easily quantified. Village life with its history, culture and tradition has its own motivators at work!

Camille Boudot was a Project Associate with IPA in Mali. She currently works as a Senior Research Associate with the Center for Microfinance in India.

May 23, 2013