

Social returns, wage inequality, and redistribution

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Abstract:

Receiving equal wages for work of equal value is a legal right in many countries; but, to what degree this standard holds in the labor market remains an open question. We therefore investigate social jobs in the field and in the laboratory, focusing on externalities as well as different types of returns and of redistribution. The results of a task-based analysis with survey data confirm considerable differences in salaries of otherwise highly similar jobs. Social occupations (e.g., in health care, education) commonly suffer from an average wage penalty of about €500, indicating that private returns as received via the labor market might not appropriately reflect the social contribution of these jobs, leading to positive externalities. On the basis of this field data analysis, we design a laboratory experiment that mimics actual income distributions (of Germany and the US), incorporates social return jobs in the lab society, and allows for voluntary redistribution among subjects. The results show that, while overall inequality decreases, individuals in social return jobs are only partly compensated for their monetary sacrifice through taxes and direct transfers, regardless of their effort levels. In return, they reduce their effort levels, suggesting that personal gain from their social activity is not large enough to compensate for the wage penalties.