



June 24, 2015

Workers React Negatively When Firms Make Low-Wage New Hires

When a company hires new employees at a lower wage than it pays existing workers, the original employees apparently scale back their effort, according to an experiment led by Jason L. Brown and Patrick R. Martin of Indiana University. The existing workers indicated, on average, that the amount of effort they would provide would be just **0.27** on a 0.1-to-1.0 scale, compared with **0.33** if the newly hired coworkers were paid at the existing workers' level. The existing workers probably felt it was unfair to hire new workers at a lower wage, the researchers say.

SOURCE: [The Consequences of Hiring Lower-Wage Workers in an Incomplete-Contract Environment](http://aaahq.org/Portals/0/newsroom/Consequences%20of%20Hiring%20Lower-Wage.pdf)
[<http://aaahq.org/Portals/0/newsroom/Consequences%20of%20Hiring%20Lower-Wage.pdf>]