

What Lies Beneath? The Intertemporal Labour Supply Elasticity for Daily Workers - Evidence from Archaeological digs in the 1930's.

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Abstract.

The labour supply elasticity with respect to wages has been estimated using data from taxi drivers, stadium vendors and bicycle messengers. None of these groups have great external validity. Workers who supply their labour on a daily basis are a much more common group – e.g. agricultural workers, cleaners, occasional labourers, fruit pickers and many factory workers. We seek to estimate the inter-temporal labour supply elasticity for a classic example of workers employed on a daily basis. To estimate this elasticity we also need a truly exogenous random shock to wages. This paper analyses data on the daily work decisions of archaeological workers on a Syrian archaeological dig in 1938. The wages these workers received involved a stochastic component termed “bakshish” which were daily payments for finds that the worker made on the dig. We use these random shocks to their wage to identify a logical positive supply elasticity – a finding which is in sharp contrast to some of the recent literature.

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