



Employer quality and information frictions in spot labour markets

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- This study examines the role of information frictions in sustaining low-quality employment relationships in urban spot labour markets in India.
- Workers in low-income environments are willing to forgo wages for better workplace experiences such as respect, timely payment, and fair treatment. On average, they demand INR 352, roughly 32% of their daily wages, as a premium for working with a lower-rated employer.
- However, information on poor employer quality does not flow freely in the labour market. In a randomised experiment, 98.1% of workers shared positive information on employers anonymously, whereas only 66.3% of workers shared negative information on employers when their own identity was revealed.
- The results imply that poor working conditions need not imply that workers place little value on dignified and fair work. Workers may care deeply about employer quality while lacking avenues and effective ways to avoid worse employers.

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Introduction

Workers in informal labour markets often face delayed payment, verbal abuse, and disrespectful treatment (International Labour Organization, 2016; Blattman & Dercon, 2018; Breza & Kaur, 2025). Unlike formal employment, where relationships are governed by written contracts, legal protections, and regulatory oversight, workers in informal markets have limited recourse when employers behave poorly.

Employer reputation could potentially solve this problem. Employers known to treat workers poorly may find it harder to recruit or may need to offer higher wages to attract workers (Klein & Leffler, 1981; Shapiro, 1983). However, for reputation to discipline employer behaviour, workers must value employer quality and credible information about employer conduct must circulate in the labour market.

The goal of this study is to understand employer reputation-building in the context of a particular labour market: urban spot labour markets in India. First, I ask if workers in low-income environments are willing to forgo wages for better workplace experiences, such as respect, timely payment, and fair treatment. This question speaks to whether non-wage amenities matter enough for workers that employer reputation could carry market consequences. Next, if this is true, I ask if asymmetrical information sharing inhibits reputation building. Specifically, I ask whether workers are less likely to share their own personal, negative experiences with employers than positive experiences, creating systematic biases in the information that reaches the market.

Figure 1: An urban spot labour market for construction workers



Image credit: Survey team

Methodology

I conducted a set of field experiments with 431 male construction workers across 13 labour stands in Chennai, India. At baseline, workers rated employers they knew on eight dimensions of workplace quality. This included wage-related amenities like timely payment, felt cheated at the workplace, pays correct wages, and pays extra wages for overtime work, and non-wage-related amenities like respectful communication, micromanagement, feelings of respect at the workplace, and never verbally abused.

I then offered workers jobs at different wage levels between higher- and lower-rated employers. These offers measured how much of their wages workers were willing to give up working for a better employer.

I then asked why poor employer behaviour persists if workers value employer quality. One possibility is that information about employer quality does not circulate freely in the labour market. To test this, I conducted an information-sharing experiment in which workers were asked whether they were willing to share information about an employer with a peer at their stand. I randomise whether the information is positive or negative and whether the worker's identity is revealed when the information is shared.

Workers place substantial value on employer quality

Workers demanded INR 352, roughly 32% of daily wages, as a premium to work with a lower-rated employer. This is substantial in a setting where workers face a meaningful risk of not finding work on a given day. However, workers did not demand systematically higher premiums as the rating gap between employers widened, suggesting that workers care especially about avoiding the worst employers, rather than placing a smooth value on small differences in ratings.

Information on negative employer interactions is less likely to be shared

The information-sharing experiment revealed a sharp asymmetry. Workers were less willing to share negative information about employer behaviour than positive information, and this gap became substantially larger when their identity was revealed. 98.1% of workers agreed to share information when information on employer interaction is positive and the worker's identity is hidden. This fell to 87.9% for negative information under anonymity and to 66.3% when negative information was shared non-anonymously.

Workers were also more willing to share an aggregate employer rating than negative information based on their own experience. One possibility is that aggregate information appears more credible, or workers might think their own signal is too weak to be passed on. It may also allow a worker to pass on useful information without taking personal responsibility for a negative report on an employer.

Employers do not fully understand what workers value

First, employers appeared to understand that reputation is important. Nearly 70% of employers reported that reputation affects how many workers are willing to work with a mason. When asked how reputation matters relative to wages, employers gave more mixed responses, but a substantial share reported that reputation matters at least as much as wages.

However, employers may misperceive what workers value. Workers' responses indicated that a good employer is defined not only by timely payments but also by respectful treatment, including being spoken to nicely and being treated with respect. Employers, however, predicted that workers place especially high value on timely payment and comparatively less value on respect-related amenities. This contrast suggests that employers understand the importance of pay-related concerns but may underestimate workers' valuation of respect and other 'softer' non-wage amenities.

Lastly, improving the quality of worker-employer interaction may not be costless from the employer's perspective. Employers generally did not report that raising one's voice at workers is necessary to increase worker productivity. However, many employers reported that micromanagement and clear communication were important in ensuring that workers are productive.

Taken together, the employer-side evidence suggests that the lack of wage differentials is not simply due to employers ignoring reputation. Employers know that reputation matters, and workers appear willing to give up wages for higher-rated employers. Instead, the persistence of poor employer quality may reflect a combination of imperfect employer beliefs about what workers value, perceived costs of changing management practices, and information frictions that prevent worker preferences from being fully reflected in spot-market wages.

Policy recommendations

Reduce the individual costs of collective reporting

Information about poor employer conduct benefits workers collectively, but the cost of sharing it is borne by the individual worker. Fear of retaliation or losing

future work may therefore discourage workers from reporting negative experiences, even when other workers would benefit from that information.

Reporting systems should address this collective-action problem by allowing workers to share information anonymously or confidentially and by aggregating reports across workers and over time. Aggregation reduces the burden on any one worker and transforms individual experiences into a collective signal of employer conduct. Reports should indicate the number and recency of observations so that workers can assess their credibility.

Give employers credible feedback

Employers should receive private feedback on the practices workers value. This feedback should distinguish conditions that can change at relatively low cost, such as respectful communication, from practices that employers believe involve productivity trade-offs.

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