

# *Forced to Be Generous*

## *Experimental Evidence on the Behavioral Effects of Minimum Wages outside the Laboratory*

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More than a hundred students assisted in a university research project by conducting telephone interviews for half a day and received an expense allowance of 30 Euro. After getting emails about a potential conflict between the level of pay and the new minimum wage legislation in Germany, the project coordination decided to increase expenditures for the second part of the project, a follow-up online-survey. By earning 15 Euro for the survey alone, the average hourly wage of each interviewer for the entire project increased to a level above the minimum wage. To use this situation for an investigation into the behavioural effects of minimum wages, we randomly varied the level of information on why the project coordination was willing to pay such a large sum of money.

Our findings stand in contrast to lab evidence, according to which a comparatively high wage level loses its positive signal when an employer is ‘forced to be generous’. Mentioning the minimum wage as the reason for paying extraordinary wages did not affect fairness perceptions, nor did it reduce effort in a vignette task that was part of the online-survey. Most remarkably, only mentioning that the employer was forced to be generous by others (without reference to the minimum wage) increased effort and reduced reservation wages. Instead of interpreting involuntary wage hikes as a less positive counterpart to pure gift-giving, it seems that employees may actually show solidarity when they see that an exogenous force requires their employer to pay more.