

Tim Phillips [00:00:00]:

Welcome to VoxTalks Economics, recorded live at the PSE CEPR Policy Forum at the Paris School of Economics. My name is Tim Phillips. On VoxTalks Economics, we usually bring you research from today's best economists but we thought we'd bring you a bonus today from the PSE Policy Forum. In this episode, we're going to be talking to three of the next generation of economists. They are young researchers who've been presenting their PhD research to the conference this week. So welcome to VoxTalks to Duncan Webb from the Paris School of Economics.

Duncan Webb [00:00:47]:

Hi, Tim.

Tim Phillips [00:00:47]:

To Thiago Scarelli, also from the Paris School of Economics.

Thiago Scarelli [00:00:51]:

Hello. Glad to be here.

Tim Phillips [00:00:52]:

And Carmen Villa Llera of the University of Warwick.

Carmen Villa Llera [00:00:55]:

Hi, Tim.

Tim Phillips [00:00:57]:

You've been presenting this week standing up in front of the conference to present your papers. How did it go?

Duncan Webb [00:01:04]:

It was exciting. It was a good challenge to have to fit our entire research paper into five minutes.

Tim Phillips [00:01:09]:

Yes.

Duncan Webb [00:01:10]:

But I got some great feedback and hopefully showed people the research in a good light.

Carmen Villa Llera [00:01:16]:

I thought it was really exciting to learn about the work that other PhD students are doing. So I come back really energized, because the next generation of economists is very, very promising and exciting.

Tim Phillips [00:01:27]:

A range of work is something that really surprised me.

Thiago Scarelli [00:01:30]:

It's a nice moment in research. It is a reminder, why do we do what we do? So there is a moment where you are in your little corner doing your research, and at the other end you are publishing, and then it's out of your hand. But right now you have something to show your peers and listen from them. So it's a very nice moment.

Tim Phillips [00:01:53]:

I'd like you to do the same thing again. I'd like you to tell everyone else about the work that you're doing. So, Thiago, you go first.

Thiago Scarelli [00:02:01]:

All right. So the exercise I like to do when I'm introducing my research for the first time is to ask you to think about what do you value when you are looking for a job? When you're looking for work, is it important to do something that is interesting, that is valuable for you? So that's the task that you do? Is it important to have a nice compensation and a monetary compensation for that, so your wage? And typically, when economists think about work, that's what they do. They think about tasks. And ironically, economists would think as tasks, as something that is unpleasant. That's why you were paid for it. So you have tasks that are unpleasant, and then you have monetary compensation. And one thing that strikes me is every work arrangement also comes with an agreement that you're going to be paid at some point in time. And we seem to give little attention to that. And to me, it's striking because for some people, being paid sooner rather than later can be very important. The problem is, how do you measure that? How do you

identify this relevance? Does it matter at all. It is hard because occupations that typically will pay you sooner, like on a daily basis, you can think of daily construction workers, they are very different. So you cannot just say, well, this guy is taking up this job because it pays sooner, but well, what is the counterfactual?

Tim Phillips [00:03:23]:

Right?

Thiago Scarelli [00:03:24]:

So the difficulty task here is to find a context where measuring just this aspect of the job is plausible. And the way I'm doing this is I'm focusing on platform workers. Platform workers, right. Sharing drivers. They have a very homogeneous task. They drive people around so they know exactly what to do. They know exactly how they're going to be compensated for that. And at this point, there is not such a lot of regulation around. So, if I ask people the platform is considering changing the way it pays you, would you rather be paid, let's say, one dollars per kilometre immediately when you conclude your ride? Or would you rather receive some larger amount in 30 days' time? I'm giving them this very explicit trade off that they have to choose from. And everything else is constant in this context. And the striking result is that most people would choose something that people who have regular jobs would find unacceptable. So, to be concrete, one fourth of the drivers, 25% of them, would say, I would rather give up, I would rather forego two thirds of the total compensation to avoid being paid in a month and sticking...

Tim Phillips [00:04:42]:

So, two thirds' given up today rather than the whole thing.

Thiago Scarelli [00:04:43]:

Right. It's basically 1 today versus 3 in 30 days and they say, give me 1 today.

Tim Phillips [00:04:49]:

I mean, wow. Yeah, that is huge, isn't it?

Thiago Scarelli [00:04:52]:

Yeah, that is surprising. So, when I was writing the pilot, I had a schedule in mind, I had a scale and suddenly everybody was bunching at the very top of the scale and say, what is going on?

So, I had to readjust the scale to get a fuller, more meaningful distribution of people and go all the way up to 3 versus 1.

Tim Phillips [00:05:12]:

And this is the same across different types of driver, I imagine some are richer, some are poorer. Do they all have the same preference?

Thiago Scarelli [00:05:22]:

So, we have some information about the income in their household and it turns out that if you are at the bottom of this distribution of income, then you're even more likely to choose this sooner option in this contract arrangement. So, it's quite striking that you have this relationship as richer you go. But mind you, it's not rich in absolute terms, it's rich in relative terms. So, the richest drivers in this population are the ones that are more likely to say, yes, it's a good deal, I'm willing to wait.

Tim Phillips [00:05:55]:

Gosh. Now, there is some research, isn't there, that in other situations people prefer to be paid later for all sorts of reasons. Why are Brazilian taxi drivers so different, do you think?

Thiago Scarelli [00:06:12]:

That's a great question. What we know from other experiments is that if you tell people, instead of paying you frequently, I pay you in bulk. So, I give you a lumpy sum. After some while, they'll say, well, that's nice, because if you give me a lumpy sum, I'll be able to buy things that, the jargon is "indivisible", things that I can't break down. I really need a lumpy sum for that. And if I have a hard time saving because there's no safe way to store my money, I'd rather have you saving it for me. These results they say if you have a mechanism that allows people to save through later payments, there's a value in that. In my context there is no accumulation. So, it's not like everything is going to be paid in a given day of the month. I'm just purely delaying. It's just a deferral. So, it's a flow that will happen later on.

Tim Phillips [00:07:01]:

Have to mention is the part of your research you've produced word clouds of what the drivers would say if they were faced suddenly with a huge bill. What does that tell us?

Thiago Scarelli [00:07:16]:

So, this was done as part of the experiment itself. In a sense. Some of them were asked this question if you were facing this emergency scenario where you need to come up with money, what would you do?

Tim Phillips [00:07:28]:

That's a way of priming them to think about whether they want to defer payment or not.

Thiago Scarelli [00:07:33]:

Exactly. And for another third of them we asked if there is some income that arrives to you unexpectedly, how would you spend it? We tried to go to this mirror image emergency. You have to come up with liquidity windfall. What's your marginal consumption if you want. And it turns out that the way they will deal with liquidity is mostly by working more. Which is very telling because one particular aspect of this occupation is that you can work as much as you want. And they're telling me if I need to come up with some extra money, I don't really have savings, I don't really have financial support from other sources. So, if I drive 8 hours a day, then I would drive twelve for a while.

Duncan Webb [00:08:14]:

So, do you find any evidence of self-control or time inconsistency issues in this context? So, if you offered people a choice between having slightly more money in seven months' time and slightly less money in six months' time, do you think people would be making the same kind of trade off or they would discount the future less?

Thiago Scarelli [00:08:31]:

That's a nice question because it refers to this finding that we have in economics that people would think about money today and tomorrow differently as money in one week time versus one week time and a day. The thing about my question is it tries to go beyond this by saying this is a contract that will pay you this way regardless of when you work. So, if you work today, you pay in 30 days. But if you accept or if you say, this is the choice that I would take, it means that if you work in one month time, then you're going to receive in 60 days. So, it's kind of embedded. There's a mix of bias and time preferences and financial constraints if you want.

Carmen Villa Llera [00:09:09]:

And Thiago, do you have a sense of how the general population feels about this trade off being paid earlier or later? Is it unique about the ride sharing sector?

Thiago Scarelli [00:09:20]:

This is a hard question because we just have information about this share of the population. But I like to think about this question in two ways. One is I'm looking at this population for methodological reasons. So for a while, economists have looked at taxi drivers, not because taxi drivers are special, but because taxi drivers choose their labor supply. And that's the same strategy. I'm not looking at this population in the first moment, not because they are special, but because it's plausible for them to discuss this question. But at the same time, this is a population that is increasing. So people working in the gig economy, they're tiny share of the whole working population today, but it's a share that is increasing and it makes sense that we try to learn more about them.

Tim Phillips [00:10:02]:

Thiago, thank you very much. It's an entertaining paper as well. It's been very interesting. Carmen, tell me about your research.

Carmen Villa Llera [00:10:12]:

I'm studying the impact of youth centers on crime. Youth centers are after school programs where young people can spend their after school hours, or they can also go on weekends, on school holidays, and essentially either enjoy a range of amenities like a pool table, foosball, these type of leisure activities, but also sports workshops. There's always an adult in the premises, so potentially there's some mentoring role as well. And I'm studying the context of the UK, between 2010 and 2019, this was a period marked by very severe austerity cuts to a range of public services. And youth services were particularly hit with funding going from 1.4 billion pounds in 2010 to about 400 million in 2019. So the drop is of 72% in funding. Now, in the public debate, there's proponents of youth service who argue that they are necessary, especially in the private communities, and that they can teach young people many different skills and prevent them from negative interactions like crime. But there's also detractors who think that by concentrating young people in a space, often concentrating young people from deprived backgrounds, we might even be fostering crime or facilitating the formation of criminal networks. So what I try to do in the paper is learn which of these two hypotheses is closer to reality by looking at what happens when you close youth centers, in particular studying youth centers that had to close due to austerity. And what I find is that young people, especially people between ten and 15 years old, become more likely to commit a crime. And the rise is of about 11 to 14% in the crime participation rate. So that's a very surprising result. It's particularly worrying because I see that it's driven by drug crimes, possession of weapon crimes. This is really pointing at some of these kids being at higher risk of gang formation. In the paper, I also show that these kids also become more likely to be suspended from school. So it's not only

trouble that is being caused, let's say, in the streets, also inside the classrooms. And I keep working on understanding why this might be.

Tim Phillips [00:12:29]:

That's exactly what popped into my head. What is going on here? Because there are those theories, aren't there, that something like a youth center keeps the kids off the streets where the trouble is? Or could it be those social motivations that you spoke about at the beginning?

Carmen Villa Llera [00:12:46]:

So from the literature which has studied what happens if we keep people longer in schools, so in compulsory education, it seems both play a role. I think the fact that I observe an effect also inside the classroom probably points at aspects like mentorship, aspiration when you speak to youth workers and to young people using their services, one of the aspects that they seem to value a lot is the fact that in the youth center you get exposed to a wide range of activities. Sport, theater, dancing, arts and crafts, video games. So perhaps for some people, maybe you're not very good at studying or sports. But when you go to the youth center, you realize that you're actually very good at other things and this maybe helps your self perception and your aspirations. So I think that could be a channel. I'm working on how one could measure this. So for now, these are all hypotheses.

Thiago Scarelli [00:13:36]:

One thing that's interesting in your results is that kids at different age, they are affected differently by the closure of those units. How do you read this?

Carmen Villa Llera [00:13:47]:

Yes, in fact, I only find an effect for people aged between 10 and 15 years old, when in fact, youth centers often allow people up to 18 years old and sometimes up to 25 for people who have learning difficulties or disabilities. But yet, of course, I only see an effect in this 10 to 15 age group. Now, something very interesting when you look at survey data, when young people are asked, how often do you go to youth centers? People in this age bracket, at least at the beginning of the decade, 10% are going almost every day and 41% are going at least once a month. Now, what happens when you turn 16 is first you are allowed to work. You're no longer within the compulsory schooling age. So it's very possible that the range of options that you suddenly have grows. Another thing that is very interesting is in survey data, you stop being asked this question. So I'm trying to find alternative ways to understand whether they're using them or not. From discussing with people, it seems that it's an age where you have many

different interests. All of a sudden, maybe going to a youth center is no longer a school. Maybe you've already made your group of friends. You don't need these centers to form your group of peers or of buddies. But this is a great question.

Duncan Webb [00:14:55]:

So is there evidence from other contexts that suggests that the youth centers maybe have important labor market effects as well? So this channel that if you're being mentored by someone responsible, then it's easier for you to get a job later on in life.

Carmen Villa Llera [00:15:08]:

This is an excellent question. So there's no causal evidence on youth centers specifically, but there's a lot of work on how different support programs can impact your schooling and then labor market outcomes. So, for example, after school support has been shown to matter, teaching people about emotional skills, teaching people anger management has been shown to decrease crime in the short run. So I think from all of this evidence, we can hypothesize that maybe youth centers, by providing a range of these activities, can have the same impact. So I'm hoping to contribute to all of these works by exploring this specific amenity individually.

Tim Phillips [00:15:46]:

Thank you very much. There is an autopsy at the moment going on about the consequences of austerity, and we are beginning to grasp exactly the long term impacts of what went on there, and I'm sure this is going to play into it. Thank you very much. Carmen. Duncan, your research.

Duncan Webb [00:16:10]:

So in my work I study discrimination against the transgender community in India. And so we usually think of discrimination as being the result of deep seated preferences or prejudice against a minority or maybe beliefs about how reliable or good on a job a minority is. But there's evidence from social psychology that I'm inspired by that suggests that people's behavior, and potentially discrimination as well, might be much more kind of malleable to the social context in which you're making a decision than those theories would suggest. When you put people in a group, maybe you're going to persuade each other to discriminate less. If my neighbor says to me, hey, it's really bad to discriminate, I'm going to start discriminating less. But if my neighbor says, hey, this group, I really don't trust them, then I might discriminate even more. And so in my work, I study how involving people in a group discussion and a group hiring decision affects the level of discrimination towards the transgender community in India. So do people change each other's attitudes? Do they reinforce a social norm that might be pro or anti minority, etc.

Focusing on the transgender community in India, they are a community that's very visually recognisable, widespread across South Asia. People in this community are very vulnerable to both economic discrimination and also more extreme forms of discrimination, including violence and harassment by the police. We run a field experiment in which we offer participants a free grocery delivery and then we make them choose which worker they would like to carry out their grocery delivery to their home. And so, some of those workers are transgender. And so we can measure how much people are discriminating against transgender in that choice. We evaluate the effect of then involving three neighbors in a group hiring decision before making some individual choices. And in the discussion people have, they're asked to decide who they want to select as a group and to potentially explain why they prefer a certain worker or a certain option. Persuade each other if they don't agree so they can come to a unanimous decision. What we see is these results are pretty striking. So when people have been previously involved in one of these group discussions later on when they're making individual choices, they discriminate much less against the transgender community. So in particular, in the control group, the people that haven't been involved in the discussion, they're willing to sacrifice items, grocery items worth around one and a half times their daily food expenditure in order to avoid selecting a transgender person as their worker. If you have been in a discussion, then people effectively don't discriminate at all on average, so that discrimination disappears. And so this is very striking. It's not that we are giving people new information about the minority. It's not that we're changing their attitudes from the outside. We're just bringing people together, getting them to talk, and they discriminate much less afterwards. And so we're trying to understand in more detail what the mechanism behind this is. What's quite interesting when you see the discussions, the types of reasons people give for selecting workers are very pro social. So people often say when they see a transgender worker, they say it's really important to help this community. We shouldn't be discriminating. They need our help as a group. And that encourages everyone else in the group to select those transgender people much more and to discriminate much less.

Tim Phillips [00:19:12]:

How does that fit in with the way that economists have thought about discrimination? Because that's often been very different to the way that other disciplines have thought about discrimination.

Duncan Webb [00:19:22]:

Yeah, exactly. I think economists have historically neglected the role of the group in people's decision making. And so, I'm trying to understand this by collecting more data at this stage. But one thing that has been studied a bit in economics is the role of social pressure or social image concerns. So, people care a lot about how they're perceived by others. I don't want you, Tim, to

think I'm a horrible person. And so when you get people into a group, they are choosing and talking in a way that might be trying to show off to other people in some sense. And so if you want to be perceived as someone who doesn't discriminate, then you both select in a less discriminatory way, but also potentially produce rationales and narratives that are less discriminatory as well, and that might persuade other people around you to discriminate less.

Carmen Villa Llera [00:20:09]:

I think this is super interesting and really relevant. I wanted to ask, how does this reconcile with all the hate that we often see in social media? Are you thinking about this because your research is very hopeful, no?

Duncan Webb [00:20:21]:

The context in which we're working, I think, is a context where even though there is discrimination, it is still socially unacceptable to discriminate against this group. And that seems to be an environment that's relatively common. So, if you think about racism or sexism in France, the UK, the US, people that are racist or sexist wouldn't necessarily want to admit it, it's still socially unacceptable. And so it's that kind of context in which you might get this effect where bringing people into a group where they have to justify their choices in front of others. It's very hard to justify choices that are discriminatory, but it's much easier to justify choices if you're saying it's because I don't want to discriminate and I'm a wonderful person.

Carmen Villa Llera [00:20:59]:

So, do you think it has to do with the fact that they're not anonymous in this discussion?

Duncan Webb [00:21:03]:

That probably plays a big role. Whereas in social media exactly. If you're on Twitter, you don't have that same visceral sense that people are observing you and trying to judge how good of a person you are.

Thiago Scarelli [00:21:13]:

Oftentimes people would say that those discussions need to be guided or oriented. If I'm understanding you correctly, there was no orientation at all in your case. Is that a case?

Duncan Webb [00:21:23]:

So, we did have a surveyor that was somewhat guiding the discussion, but it was very important that they didn't lead any discussion about transgenders themselves. So the way it worked was the group had to make a choice over a series of options for the delivery and the delivery worker, and that was the framing for their discussion. They were just trying to decide who they preferred. None of the discussion, the use of the word transgender even was coming from the surveyor. That was all coming from the participants themselves.

Thiago Scarelli [00:21:51]:

So, is that suggesting that if you want to extrapolate your results for making public policy, is that enough to put people together and bring up the subject or just invite them to think about this together?

Duncan Webb [00:22:04]:

Yeah, we're also collecting more data at this stage which suggests that even just listening to a discussion, not even taking part in it, can be persuasive and change people's minds and make them reduce how much they discriminate as well. So that suggests that the policy might be more scalable than even the initial results suggest, because maybe just having a group discussion with a few people where hundreds of people watch it, that might be sufficient. I'm speculating here.

Tim Phillips [00:22:32]:

As Carmen says, you only have to look at social media or read the news to find out how relevant this is. So good luck with the rest of the research. That brings me on to something that I did want to ask you. A few years ago, we did some research into what people think economists are, especially kids. And when you ask a school kid to draw an economist, they draw a man in a suit with a briefcase with little dollar signs around his head. None of you really seem like that, and none of your subjects are like that. You obviously got into economics for different reasons. So I want to ask you before we finish here, what did interest you about economics? What is the thing that made you think, this is what I want to do? Carmen?

Carmen Villa Llera [00:23:24]:

Well, for me, at the beginning, I also thought it was a man thinking about money, money and so on. But it's very interesting as you continue your training, and especially for people who are studying economics now or considering it, keep an open mind because you can answer so many questions with the set of tools that you learn in economics. And to me, it was this realization that it's about many, many different topics.

Duncan Webb [00:23:50]:

For me, economics is interesting as well, because it acknowledges the extreme inequality that exists in the world. I'm, by trade, mostly a development economist, and so the difference in income levels across countries and the difference in welfare between minority groups that are stigmatized and majority groups is very extreme. And economics provides a framework for thinking about that inequality and potentially how to address it as well.

Thiago Scarelli [00:24:14]:

The tools for economics are very flexible, and this is amazing. This is something that even in undergrad, we underestimate. When you go into more advanced stages of research and career, then you see people doing things that very often would not strike as economics. People saying, well, now we care about climate change. And this all of a sudden is an economics topic. We care about diseases, we care about vaccines, we care about social norms. So it shows that the wide range of topics that we can investigate. But one thing that we're not doing enough as of yet is we are not talking to other disciplines who are also studying the same topics. So there is still some arrogance from economics that says, well, we are the ones who have the right tools to do that. And that's not really the case.

Tim Phillips [00:25:02]:

This has been really interesting. We've run out of time, but it's great to hear from you. Good luck with your research. So thank you. Carmen.

Carmen Villa Llera [00:25:10]:

Thank you, Tim.

Tim Phillips [00:25:11]:

Thank you, Duncan.

Duncan Webb [00:25:12]:

Thank you very much, Tim.

Tim Phillips [00:25:12]:

And Thiago.

Thiago Scarelli [00:25:13]:

Thank you.

Tim Phillips [00:25:28]:

Three papers here that I need to tell you about. First one, Financial Constraints and Workers' Preference Over Payment Schedules: Evidence from Ride Sharing Drivers and the author, Thiago Scarelli. Then we have the Impact of Youth Centers on Crime, the author Carmen Villa Llera and Speaking up for Their Rights, Reducing Antitransgender Discrimination in India. Author Duncan Webb. You've just heard from all three of them.

[Voiceover] [00:25:55]:

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