As Wages Increase, Do People Work More or Less?
A Wage Frame Effect

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In jobs in which workers have the flexibility to decide how much work to supply, such as in the gig economy, the effect of a wage change on work supply can be hard to predict. A wage increase, for example, offers workers the opportunity to make more money, so they may want to work more, but at the same time, it allows them to enjoy more leisure, so they do not need to work so much. Economic theory alone does not predict which outcome is more likely to occur, and empirical evidence on the short-term effect of wage change on work supply is also mixed. This research provides some psychological insights into this economic problem by showing that the effect of wage change on work supply depends on how the change is framed. Specifically, for a worker who used to work *A* hours to earn $*X*, if the wage change is presented as a *pay change* ("work the same *A* hours and earn $*Y*"), then work supply is expected to change in the same direction as the wage change. By contrast, if the wage change is presented as a *load change* ("work *B* hours and earn the same $*X*"), then work supply is expected to change in the opposite direction of the wage change. This wage frame effect occurs because in multi-attribute decisions, decision makers assign greater weight to attributes that change than to those that remain constant. A series of experiments (total N = 2,599) demonstrates the wage frame effect on both expressed willingness-to-work and actual work performance, and tests the proposed account as well as alternative explanations. Since any wage change has to be communicated with some specific frame, the choice of the frame can have powerful effects. In fact, it is even possible for a wage decrease to elicit the same increase in work supply as a wage increase. This research (a) offers psychological insights into a classic economic problem, (b) documents a novel framing effect for the judgment and decision-making literature, and (c) suggests a nudge idea in incentive designs to managers and policy makers.