

# The Social Tax

## Redistributive Pressure and Labor Supply

**Do informal redistributive arrangements distort labor supply, output, and earnings?**

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**Motivation:** Welfare benefits of redistributive arrangements could come at an efficiency cost [Lewis 1955, Platteau 2000] [◀ more](#)

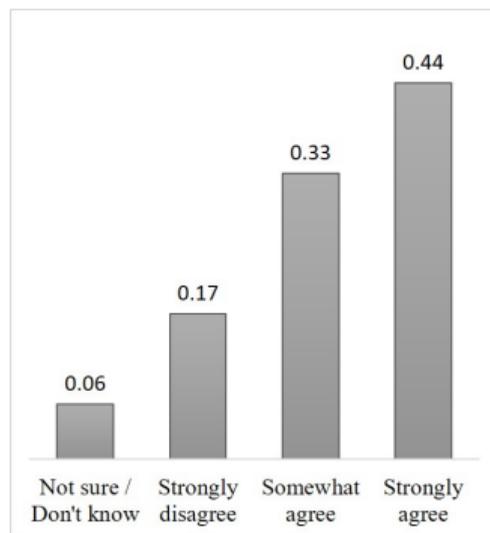
- A “social tax”

**Sample:** Full-time piece rate factory workers in Cote d'Ivoire

- Pressure to share income gains from effort

[Among cashew factory workers in Côte d'Ivoire]  
*“If someone in the community starts earning more money because they have decided to work harder, people would start asking that person more often for financial help” (N=420)*

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# Design

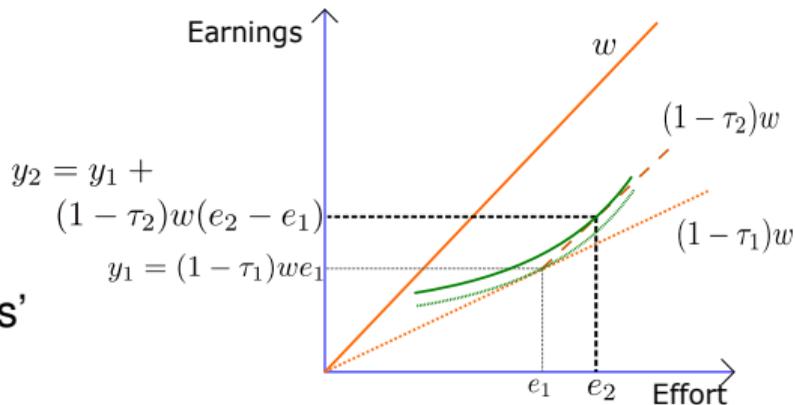
**Approach:** Lower social tax on earnings increases

- Pure substitution effect [◀ model](#)

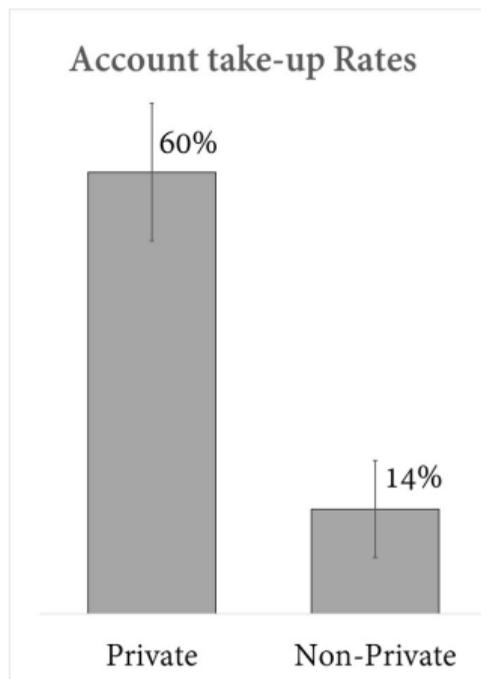
**Tool:** Blocked savings account

**Key variation:** whether existence of accounts is private or known to workers' network

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# Results



Means and 95% CIs. N = 317 workers.  
SEs clustered at the worker level.

	<b>Earnings</b>	<b>Attendance</b>
Private (vs. non-private)	227.9*** (60.39)	0.0553** (0.0251)
Control mean	1570	0.60
N: worker-days	38222	38222
N: workers	317	317

*Notes:* Regressions include worker and strata-by-paycycle FE.  
Standard errors clustered by worker.

- 14.5% ITT effect on earnings
- ⇒ Implied social tax rate: 18%

- Total earnings go up (at baseline, 89% have no earnings outside the factory)
- No reduction in transfers to kin

◀ more on take-up

◀ more on effects

◀ more on tax rate

## Potential Confounds

- ✓ **Privacy concerns:** SMS placebo exercises show high acceptance of transmitting other messages to kin (including that worker saved in the past)
- ✓ **Morale effects:** No evidence for positive treatment effects during announcement period
- ✓ **Self-control:** Could not explain private vs. non-private difference. Also, very few workers opt out of blocked savings when surprised with the chance (no difference before vs. on payday)

◀ more

THANK YOU!