

Inequality Aversion in the Context of Ambiguous Luck-vs-Labour Trade-offs

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INTRODUCTION

- People generally prefer equal outcomes when distributing resources (Aoki et al., 2015), yet our societies have widespread inequalities. Why?
- Resource inequalities can come from uncontrolled circumstances (luck), or differences in effort/skill.
- Research shows we may accept unequal outcomes if we feel people deserve them for the quality of their work (e.g., Gee et al., 2017).
- In the real world, we often don't know whether inequality came from luck or skill.

What does inequality aversion look like when we do not know the relative contributions of circumstance and labour to the source of the inequality?

- H1: Decreased inequality aversion when inequality comes from differences in effort or competence.
- H2: Increased inequality aversion when inequality comes from differences in compensation.
- H3: Decreased inequality aversion when the relative contributions of effort and compensation differences to the inequality are ambiguous.

METHODS

- Participants (n = 177) could earn an endowment through an online labour task, and were told that they were matched with a partner who had done the same.
- Once endowed, participants rated their liking of proposed money transfers that offered various amounts of money to the participant or partner (-5 = strongly reject, 5 = strongly accept; adapted from Tricomi et al., 2010).
- Inequality aversion, sensitivity to one's own outcomes, and sensitivity to one's partner's outcomes were measured using mixed effects regression, with liking rating for each transfer trial predicted by payoff to self, payoff to partner, and transfer inequality (|self - other|).

| Condition | PPE (\$) | PRE (\$) | PPP (Hrs) | PRP (Hrs) | PPC (\$/Hr) | PRC (\$/Hr) | ES |
|----------------------|----------|----------|-----------|-----------|-------------|-------------|-------------|
| Random-Equal (RE) | 25 | 25 | 12 | N/A | 4 | N/A | Random |
| Random-Unequal (RU) | 50 | 10 | 12 | N/A | 4 | N/A | Random |
| Effort-Unequal (EU) | 50 | 10 | 12 | 2 | 4 | 4 | Labour task |
| Pay-Unequal (PU) | 50 | 10 | 12 | 12 | 4 | 0.8 | Labour task |
| Unknown-Unequal (UU) | 50 | 10 | 12 | 1 - 35 | 4 | 0.29 - 10 | Labour task |
| Mixed-Unequal (MU) | 50 | 10 | 12 | 6 | 4 | 1.6 | Labour task |

Table 1. PPE = Participant Endowment. PRE = Partner Endowment. PPP = Participant Performance. PRP = Partner Performance. PPC = Participant Compensation. PRC = Partner Compensation.

RESULTS

Does Condition Affect Response?

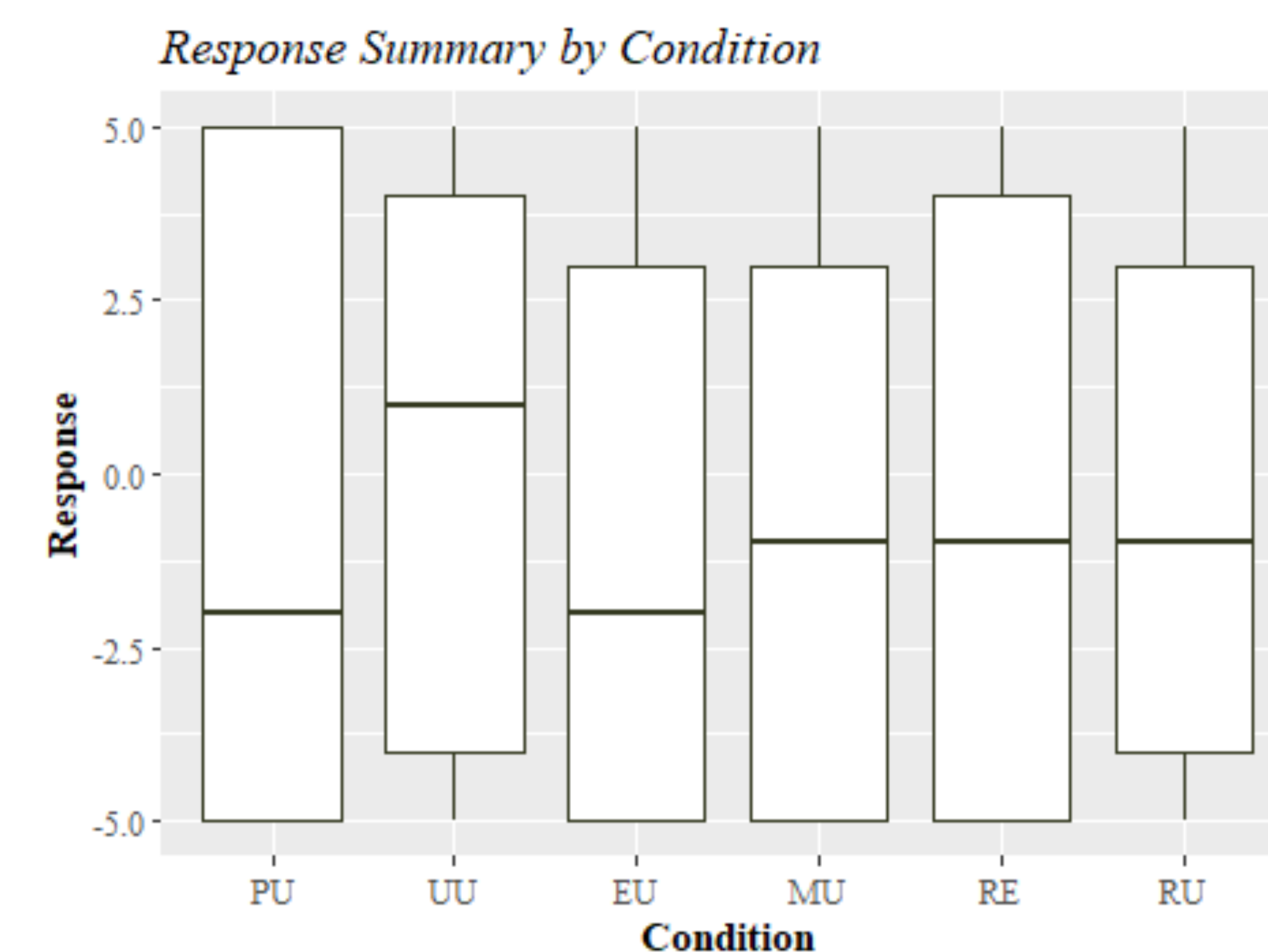


Figure 1. Mean response across conditions = -0.36; median = -1; sd = 3.95. There was no significant effect of condition on mean response.

Does Condition Affect Inequality Aversion?

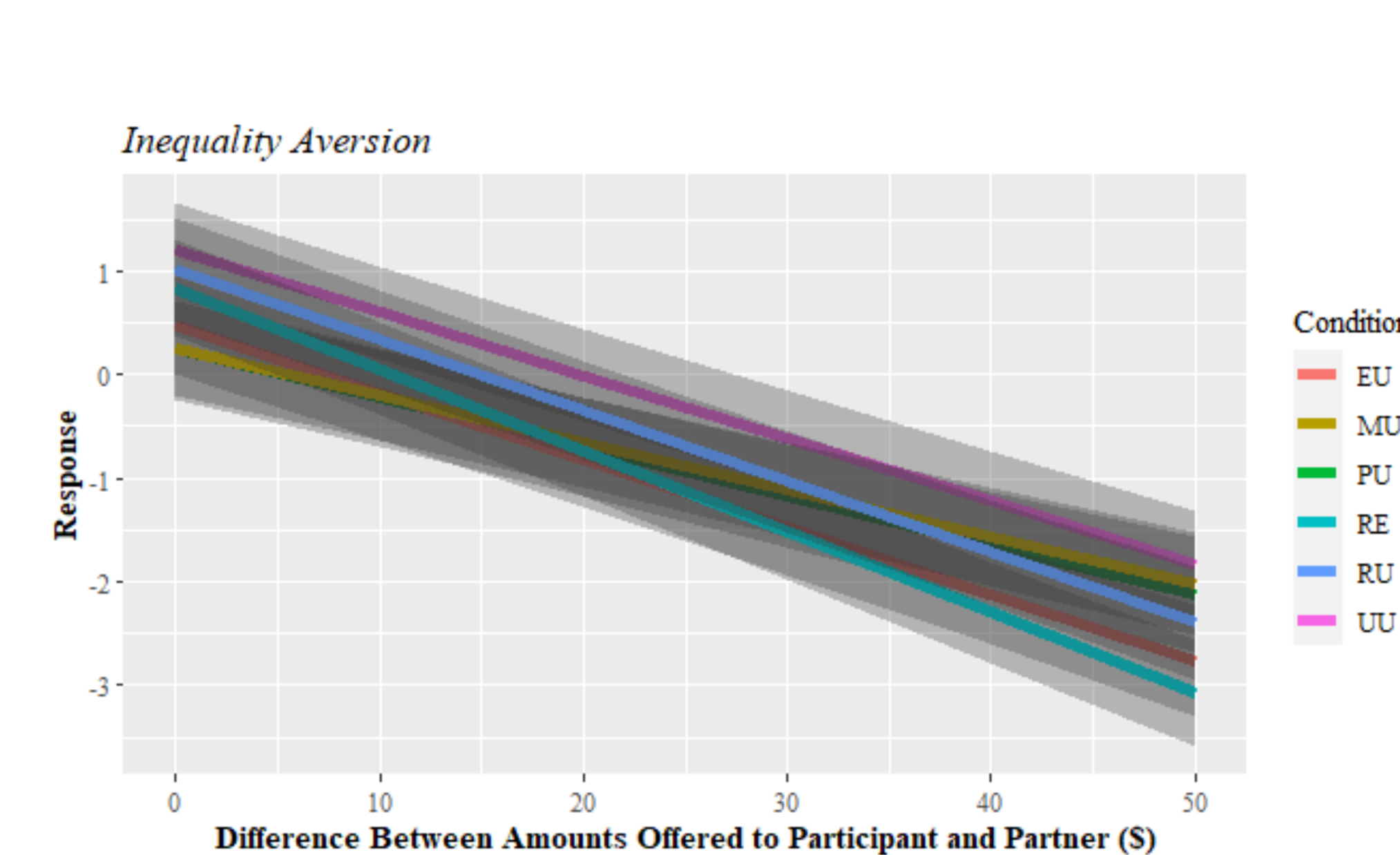


Figure 2. We found robust evidence of inequality aversion. However, surprisingly, there was no effect of condition on sensitivity to unequal outcomes.

Does Suspicion Affect Attitudes Related to Inequality?

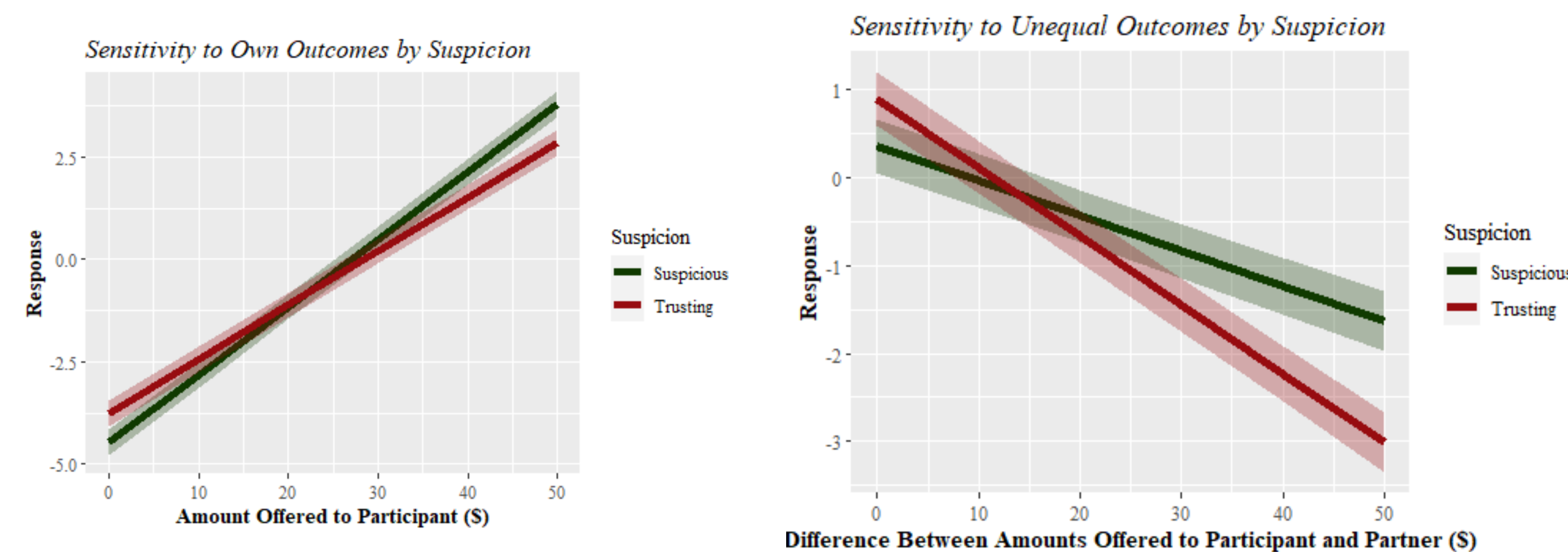


Figure 3. ~41% of participants (n = 73) believed the participant was fake, while another ~41% (n = 72) thought the partner was real, and the remaining ~18% (n = 32) were unsure. Suspicion of the partner's realness had a notable impact on choice behaviour, such that participants who thought the partner was fake were likely to show increased sensitivity to their own outcomes, and participants who thought the partner was real were likely to show increased sensitivity to unequal outcomes.

CONCLUSION

- Liking of money transfers depended on the proposed payoffs to self and other, and on the difference between them, echoing previous research (e.g., Tricomi et al., 2010). Absolute payoffs had a positive relationship with liking, especially payoff to self. By contrast, inequality was negatively related to liking.
- There was no influence of starting endowment on inequality aversion, contradicting previous research.
- Participants' suspicion of the partner's realness may have interfered with the results of this study.
- Future plans are to increase the number of participants who believe the partner is real by collecting more data and, possibly, altering the administration of the experiment.
- Future work may also be needed to increase the believability of the 'luck' and 'skill' manipulations.
- Other research may examine potential interactions between inequality aversion and relevant individual differences (e.g., political affiliation). In addition, researchers may wish to examine whether inequality averse behaviour differs in in-person contexts compared to online.

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