



## Sometimes It s Better to Just Let Them Shirk

By Federal Trade Commission

Createspace, United States, 2014. Paperback. Book Condition: New. 279 x 216 mm. Language: English . Brand New Book \*\*\*\*\* Print on Demand \*\*\*\*\*.In their famous 1984 paper, Shapiro Stiglitz developed what has become the canonical efficiency wage model. In their model, all workers are paid an efficiency wage, and no one shirks. Their model is based on the assumption that shirking workers are completely unproductive. In this paper, I relax that assumption, and treat the effective labor provided by shirkers as a parameter that can range from zero (shirkers produce no effective labor) to one (shirkers and non-shirkers are equally productive). I show that when shirking workers are sufficiently unproductive the Shapiro Stiglitz equilibrium applies, but when they are sufficiently productive everyone shirks in equilibrium. For intermediate levels of shirker productivity, some workers shirk in equilibrium, and some do not. I also perform comparative statics exercises where I show how changes in labor demand and changes in the relative productivity of shirkers affect employment, wages, and output. These exercises may have implications for the cyclicity of wages, and for the effects of technological progress.



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