The Value of Employer Reputation in the Absence of Contract Enforcement: A Randomized Experiment

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In two experiments, we examine the effects of employer reputation in Amazon Mechanical Turk, an online labor market in which employers may decline to pay workers while keeping the work product. In the first experiment, a research assistant who is blinded to reputation performs tasks posted by employers with good, bad, or no online reputations. Results confirm the value of reputation; due to shorter tasks and rarer nonpayment, effective wages among good reputation employers are about 40 percent greater than those for neutral- or bad-reputation employers. In the second experiment, we create multiple employer identities endowed with different exogenously introduced reputations. We find that employers with good reputations attract workers at nearly twice the rate as those with bad reputations with no discernible difference in quality. We interpret these results through the lens of an equilibrium search model in which the threat of a bad reputation deters employers from the abuse of authority even in the absence of contractual protections of workers. The results demonstrate the value of employer reputation systems for workers and employers, and thus for labor market efficiency.

Workers face an information problem when choosing an employer. Two prospective employers that offer identical contracts may actually differ widely in their treatment of workers. In any labor market, employers differ in the criteria they apply for raises, promotions, terminations, scheduling, bonuses and many other conditions that are difficult to contract upon. In the contingent and undocumented labor markets, concerns are as basic as whether employers pay for required tools, overtime, or at all. Where payment, retention, or other rewards aren't contractible, workers' effort can be expropriated ("held up") by employers.

Relational contracts, in which the shadow of future noncooperation deters trading partners from opportunistically abusing the incompleteness of formal contracts, offers a potential solution to the hold-up problem (Baker, Gibbons and Murphy, 2002; Brown, Falk and Fehr, 2004). However, this mechanism relies on incumbent workers who accrue private information about their employer through personal experience. For jobseekers who lack personal experience with an employer, it begs the question: Can an institution that

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allows workers to contribute to their private experiences to a collective memory – an employer reputation system – discipline opportunistic employers and substitute for contract enforcement?

Employers' reputations clearly matter to workers. Jobseekers lean on experienced employees, professional associations, labor unions, word of mouth, media rankings of employers, and other signals to get a better understanding of employers' hours, promotion and termination criteria, training, and bonuses. The Internet has further reduced the cost of providing and soliciting information on other workers' experiences; forums include Glassdoor, Careerbliss, Contratados, RateMyEmployer, eBossWatch, JobAdviser, Kununu, JobeeHive, TheJobCrowd, Ratemycompany, and the Freelancers Union's Client Scorecard.

To the extent that workers are attracted to employers with a good reputation, the threat of losing a good reputation may deter employers from abusing authority. However, empirical evidence on the jobseeker's problem of identifying good employers is scarce, as is evidence on the value of employer reputations. In contrast, personnel economics has produced considerable empirical evidence on the methods employers use to identify high ability workers, and indeed on institutions (such as education) that help employers screen for workers (Oyer and Schaefer, 2011).

In this study, we measure the value of publicly available employer reputations to workers and employers in the absence of enforceable contracts. We do so over two experiments in Amazon Mechanical Turk, an online labor market (OLM) in which employers may keep the work product but refuse payment; workers have no contractual recourse. This invites the puzzle: How does the Mechanical Turk marketplace, which appears to exemplify the classic hold-up problem, continue to function?

To avoid opportunistic employers, many workers rely on Turkopticon, a third-party browser plugin that allows workers to review and screen employers. However, because ratings direct other workers to scarce high-paying tasks, the validity of ratings is a greater concern in this setting than in (for example) product markets in which trade is non-rival. In two experiments, we confirm the validity of Turkopticon ratings and estimate their value to employers.

Specifically, the first experiment tests the validity of the online reputations from the perspective of a worker. We act as a worker to assess the extent to which other workers' public ratings reflect real variation in employer and job quality. One research assistant (RA) randomly selects tasks from employers who have good reputations, bad reputations, or no reputation and sends them to a second RA who is blind to the actual employers' reputation. We find that effective wages while working for good-reputation employers is 40 percent greater than effective wages while working for bad-reputation employers. While ratings are common in consumer marketes, the validity of the rating systems in this setting is more surprising given that ratings take time and the tasks posted by good employers are rival among workers.

The second experiment measures the effect of employers' reputations on their ability to recruit workers. We create 36 employers on Mechanical Turk. Using Turkopticon, we endow them with (i) 8-12 good ratings, (ii) 8-12 bad ratings, or (iii) no ratings. We then examine the rate they attract workers to posted jobs. We find that employers with good reputations attract work about 50 percent more quickly than our otherwise-

identical employers with no ratings and 100 percent more quickly than those with bad reputations. Using estimates of Mechanical Turk wage elasticities published elsewhere, we estimate that posted wages would need to be almost 200 percent greater for bad reputation employers and 100 percent greater for no reputation employers to attract work at the same rate as good reputation employers. We also estimate that about 55 percent of job-searchers use Turkopticon, suggesting that more complete adoption would magnify reults. These results demonstrate that workers use reputations to screen employers and that reputation affects employers' abilities to attract workers.

We propose an equilibrium search model consistent with our results. In the model, informed-type workers screen employers with bad reputations, and the threat of losing a good reputation (and thus losing the informed workers) discourages employers from engaging in wage theft and other forms of opportunism. The model depends crucially on the willingness of workers to provide accurate ratings that reflect employers' behaviors—a striking feature of this labor market given that reviews are anonymous, take time, and direct other workers toward scarce tasks posted by high-paying employers. In this way, employers' worker-created reputation serves as collateral against wage theft, effectively substituting for the role that formal contracts normally play in the labor market.

Turkopticon and other sites that diffuse workers' private information demonstrate the willingness of anonymous low-wage workers from diverse backgrounds to contribute to the collective punishment of employers who abuse an absence of contractual enforcement. As such, the two experiments and the model illustrate the value of an employer-reputation system to workers who rely on it to identify good employers, the good employers who rely on it to attract workers, and for the whole market which relies on it to solve the hold-up problem.

I Mechanical Turk and Employer Reputation

Mechanical Turk is an online labor market that allows employers (known as requesters) to crowdsource human intelligence tasks (HITs) to workers over a web browser. Common HITs include audio transcription, image recognition, or text categorization. Amazon does not generally publish detailed usage statistics; however, in 2010, it reported that more than 500,000 workers from over 190 countries were registered on Mechanical Turk.¹ In 2014, Panos Ipeirotis's web crawler found that the number of available HITs fluctuated between 200,000 and 800,000 from January and June 2014.² Ross et al. (2009) found that a majority of workers were female (55%) and from the U.S. (57%) or India (32%). Horton and Chilton (2010) estimates that the median reservation wage was \$1.38 an hour. Amazon Mechanical Turk's revenue comes from 10% brokerage fees paid for by employers.

When an employer posts a task, it appears to workers on a list of available tasks. The employer may restrict eligibility to workers with a sufficiently high "approval rating," that is a history of having submitted

 $^{^{1}} A vailable \ on line \ at \ https://forums.aws.amazon.com/thread.jspa?threadID=58891$

²Available online at http://mturk-tracker.com (accessed June 14, 2014).

work accepted by past employers. This list specifies a short description of the task, the number of tasks available, the promised pay per task, the time allotted for workers to complete the task once they accept it, and the name of the employer. Workers may preview the task before accepting. Upon acceptance, a worker will have the allotted time to submit the task. Employers then have a predetermined period to approve or reject the task, with or without an accompanying note. If the employer approves the task, the employer pays the posted rate and broker fees to Amazon. The conditions for approval are not contractible; if the employer rejects the task, the worker's submitted work remains in the employer's possession but no payment is made. Moreover, the worker's approval rate will decline, reducing the worker's eligibility for other tasks. There is no process for appealing a rejection.

Opportunism takes many forms. Employers may disguise wage theft by posting unpaid trial tasks, implicitly with the promise that workers who submit work that matches a known, correct answer will receive work for pay, when in fact the trial task is the task itself and the employer rejects all submitted work for being defective. In addition to nonpayment, employers may also advertise that a task should take a set amount of time when it is likely to take much longer. Therefore, although the promised pay for accepted submissions is known, the effective wage rate, depending on the time it takes to complete the task, is not. Employers can also delay accepting submitted work for up to thirty days. Employers may or may not communicate with workers.

Within Mechanical Turk, there is no tool allowing workers to review employers, and workers cannot observe employers' effective wages or payment histories. However, several online, third-party resources have sprung up that allow workers to share information voluntarily regarding employer quality. These include web forums, automatic notification resources, and public-rating sites.³

This paper experimentally studies the value of reputation on Turkopticon, a community ratings database and web-browser plugin.⁴ The plugin adds information to the worker's job search interface, including community ratings of an employer's communicativity, generosity, fairness, and promptness. Ratings take integer values from one to five. As of November 2013, Turkopticon included 105,909 reviews by 8,734 workers of 23,031 employers. The attributes have a mean of 3.80 and a standard deviation of 1.72.⁵ Workers can click on a link to read text reviews of an employer. These reviews typically further recommend or warn against doing work for a given employer. Figure 1 provides an illustration.

[FIGURE 1]

 $^{^3}$ Popular resources include CloudMeBaby.com, mturkforum.com, mturkgrind.com, turkalert.com, turkernation.com, turkopticon.ucsd.edu, and Reddit's HitsWorthTurkingFor.

⁴For background on Turkopticon, see (Silberman et al., 2010; Irani, 2012; Silberman, 2013).

⁵These statistics are based on our analysis of data scraped from the site. Attribute ratings are determined by the mean from the following questions: (i) for communicativity, "how responsive has this requester been to communications or concerns you have raised?" (ii) for generosity, "how well has this requester paid for the amount of time their HITs take?" (iii) for fairness, "how fair has this requester been in approving or rejecting your work?" (iv) for promptness, "how promptly has this requester approved your work and paid?" Their means (standard deviations) are respectively 4.01 (1.68), 3.98 (1.62), 3.71 (1.68), and 3.18 (1.91). Their number of reviews are 93,596, 93,025, 99,437, and 44,298. Reviews are somewhat consistent across dimensions; the correlation between any one dimension and the mean value of the other three dimensions is 0.57. On workers' displays, average ratings are color coded; scores less than 2 are red, scores between 2 and 3 are yellow, and scores greater than 3 are green.

[FIGURE 2]

Figures 1 and 2 illustrate a Mechanical Turk worker's job search process. Figure 1 shows how workers search for tasks for pay. Figure 2 shows a preview of the task that we use for this study.

The information problem in this setting is related to the relational contracting literature Baker, Gibbons and Murphy (2002); Bull (1987); Klein and Leffler (1981); Telser (1980). In the classic model, workers and firms accurately observe each other's past behavior and choose whether to cooperate beyond contractual obligations; the threat of future noncooperation sustains efficient cooperation. However, public reputation systems can facilitate the diffusion of (mis)information in the context of job search where firms and workers lack prior personal, bilateral experience.

Within the relational-contracting literature, Turkopticon is remarkable because it relies on voluntary feedback from a community of anonymous workers to provide a signal of employer quality. These reviews are costly (in terms of the worker's time), and the content of the review is unverifiable to other workers. More importantly, there is wide variation in the effective pay rate of individual tasks. Because employers typically post tasks in finite batches and allow workers to repeat tasks until the batch is completed, the wage-maximizing behavior would be to hoard tasks posted by good employers by misdirecting other workers. As such, sharing honest reviews could be thought of as a prosocial behavior that is costly to the worker in terms of time and valuable private information, and in which social recognition or direct reciprocity is limited. Other studies of online reputation systems suggest that reviewers are primarily motivated by a "joy of giving" and fairness (Cornes and Sandler, 1994; Resnick and Zeckhauser, 2002).

Much of the theoretical work on reputation has focused on the reputation of sellers of goods, rather than employers as the purchasers of labor. Following Klein and Leffler (1981), theoretical work proposes that sellers with good reputations will be able to charge higher prices. In their study of eBay sellers, Bajari and Hortacsu (2003) find only a small effect of reputation on prices. However, Banerjee and Duflo (2000) find that supplier reputation is important in the Indian software market, where postsupply service is important but difficult to contract. MacLeod (2007) concludes that the evidence that reputation substitutes for prices is mixed.

While Amazon Mechanical Turk presents relatively clear potential for opportunism, it illustrates the phenomenon of employer opportunism in the broader labor market. As Simon (1951) notes, there is a fundamental tension between the employer's legitimate interest in flexibility and the potential for moral hazard that this flexibility invites. Incomplete contracts and nonenforcement are not specific to online labor markets; wage theft substantially impacts earnings among independent contractors, undocumented immigrants, misclassified employees, and low-wage employees (Bobo, 2011; Rodgers, Horowitz and Wuolo, 2014). "Wage theft" has prompted the United States Wage & Hour Division to award back pay to an average of 262,996 workers a year for the past ten years, and far more cases go unremedied (Bernhardt, Spiller and Theodore, 2013; Bobo, 2011; Lifsher, 2014; United States Department of Labor Wage and Hour

⁶This is also the basis of resources such as TurkAlert.com, which alerts workers when a flagged employer posts a new task.

Division, 2014). Economists and legal scholars have long suggested theories in which reputational concerns can constrain employer opportunism (see, for example: Baker, Gibbons and Murphy (2002); Carmichael (1984); Estreicher (2009); Holmstrom (1981); Wachter and Wright (1990)).

Empirical research on employer reputation as a deterrent to opportunism is slim. In a series of laboratory studies, Bartling, Fehr and Schmidt (2012) find that test subjects posing as employers are less likely to hold up those posing as workers when the experimenter will make their past actions observable to those same workers in future periods. As predicted by relational contracting theory, private bilateral reputations develop and the prospect of lost value can deter employers from abusing authority. In their conclusion, they point to the potential value of a *public* reputation system, "it may be possible to improve the principals' incentives to acquire a good reputation by, for example, creating an institution that provides public information about the principals' reputation," though this lies outside the scope of their study.

While other studies have sought to identify the value of employer reputation outside the lab, identifying credibly-exogenous variation in employers' reputations has proven difficult. Turban and Cable (2003) provided the first correlational evidence that companies with better reputations tend to attract more applicants using career-services data from two business schools. Hannon and Milkovich (1995) find mixed evidence that news of prominent employer rankings affects stock prices. Using a similar methodology, Chauvin and Guthrie (1994) find small but significant effects. While these two studies test the business value of good employer reputations, and they do so using institutions that arose organically, these specific methodologies are challenging to implement due to relatively low signal-to-noise ratios and small sample sizes.

Research conducted in online labor markets brings the lab's internal validity (derived from the ability to manipulate treatment precisely while holding other factors constant) together with the field's external validity (because subjects are studied during the course of operating in a real labor market that they enter for their own economic purposes, not for research purposes). However, prior work in this domain has focused on the employers' problem of screening workers, rather than vice versa. Consistent with employer learning models, Pallais (2013) shows that prior work experience greatly improves workers' prospects for receiving job offers and higher pay. Agrawal, Lacetera and Lyons (2013) find that such experience is particularly beneficial for applicants from less developed countries, particularly among experienced employers.

II Experiment 1

In the first experiment, we examine whether Turkopticon ratings are informative of three employer characteristics that workers value but about which they face uncertainty during the search process: the likelihood of payment, the time to payment, and the implicit wage rate. We follow the following procedure:

- 1. We produce a random ordering of three reputation types: Good, Bad, and None.
- 2. The nonblind research assistant (RA1), using a browser equipped with Turkopticon, screens the list of

tasks on Mechanical Turk until finding one that meets the requirements of the next task on the random ordering.

- If the next scheduled item is Good, RA1 searches the list for a task posted by an employer in which all attributes are green (all attributes are greater than 3.0/5).
- If the next scheduled item is Bad, RA1 searches the list for a task posted by an employer with no green attributes and a red rating for pay (all attributes are less than 3.0/5, and pay is less than 2.0/5).
- If the next scheduled item is None, RA1 searches the list for a task posted by an employer with no reviews.
- 3. RA1 sends the task to the blinded RA2, who uses a browser not equipped with Turkopticon.
- 4. RA2 performs and submits the task. The blind RA is instructed to perform all tasks diligently.
- 5. RA1 and RA2 repeat steps 2-4. A web crawler records payments and rejections by employers to RA2's account with accuracy within 1 minute of actual payment or rejection.

The blinding procedure decouples the search process from the job performance process, thereby protecting against the risk that RA2 inadvertently conditions effort on the employer's reputation.

[FIGURE 3]

Figure 3 shows results for rejection rates and time-to-payment by the employer's reputation type. Rejection rates were 1.4 percent for employers with good reputations, 4.3 percent for employers with no reputation, and 7.5 percent for employers with bad reputations.

[TABLE 1]

Table 1 presents further results and significance tests for rejection rates, time-to-payment, and realized hourly wage rates. We define realized wage rates to be payments divided by the time to complete the task if the work is accepted and zero if the work is rejected. We define promised wage rates to be posted payments divided by the time to complete the task; they are not zero if the work is rejected. Employers with good reputations have significantly lower rejection rates, faster times-to-decisions, and higher realized wage rates than employers with poor reputations. They do not have statistically different posted pay rates. This distinction is important because the pay for accepted tasks is contractible but the task's realistic duration and acceptance criteria are not.

⁷RA2 was not able to complete all jobs sent by RA1. Some expired quickly. Also, bad-reputation employers' jobs were more likely to be so dysfunctional as to be unsubmittable.

⁸Counts are lower for wage rates because the blinded RA lost track of time-to-completion for a few tasks.

We conclude that the longer work times and lower acceptance rates validate the ratings as informative about employer differences that would be unobservable in the absence of the reputation system.

To provide an intuition for the magnitude of the value of employer-reputation information to workers, note that our results imply that following a strategy of doing jobs only for good-reputation employers would yield about a 40 percent higher wage than doing jobs only no-reputation or bad-reputation employers: \$2.83 versus just under \$2.00 per hour.

III Experiment 2

In the second experiment, we examine whether a good reputation helps employers attract workers. We do so by creating employers on Mechanical Turk, exogenously endowing them with reputations on Turkopticon, and then testing the rate at which they attract work.

- 1. We create 36 employer accounts on Mechanical Turk. The names of these employers consist of permutations of three first names and twelve last names.⁹ We use multiple employers to protect against the evolution of ratings during the experiment. We choose these names because they are: common, Anglo, male (for first names), and our analysis of Turkopticon ratings find that these names are not generally rated high or low.
- 2. We endow 12 employers with good reputations and 12 employers with bad reputations. We do so by creating accounts on Turkopticon and posting numerical attribute ratings and longform text reviews. Reviews for our bad-(good-)reputation employers are taken as a sample of actual bad(good) reviews of bad-(good-)reputation employers on Turkopticon. Good- and bad-reputation employers receive eight to twelve reviews each. Because Mechanical Turk workers may sort tasks alphabetically by requesters' names, we balance reputations by the first name of the employer so that reputation is random with respect to the alphabetical order of the employer.
- 3. Our employer identities take turns posting tasks on Mechanical Turk. They do so in seventy-two one-hour intervals, posting new tasks on the hour. Posts began at 12:00 AM on Tuesday, July 7 and ended at 11:59 PM on Thursday, July 9. For example, the employer named Mark Kelly, who was endowed with a good reputation on Turkopticon, posted tasks at 12:00 AM and ceased accepting new submissions at 12:59 AM, thereafter disappearing from workers' search results. At 1:00 AM, Joseph Warren, who had no reputation on Turkopticon, posted new tasks.

We balance the intervals so that: (1) in each hour, over three days, the three reputation types are represented once, (2) in each hour, over each six-hour partition of a day, the three reputation types

⁹The first names are Joseph, Mark, and Thomas. The last names are Adams, Clark, Johnson, Jordan, Kelly, Lewis, Martin, Miller, Owens, Roberts, Robinson, and Warren.

 $^{^{10}}$ For this purpose, we define bad reviews as those giving a score of 1/5 on all rated attributes and a good review as giving a 4/5 or 5/5 on all rated attributes. The text reviews clearly corroborate the numerical rankings; an RA given only the text reviews correctly identified the employer type in 285 of the 288 reviews.

are represented twice. We chose the final schedule (Appendix Table 5) at random from the set of all schedules that would satisfy these criteria.

The tasks consist of image recognition exercises. Workers are asked to enter the names, quantity, and prices of alcoholic items from an image of a grocery receipt that we generated. Receipts are twenty items long and contain three to five alcoholic items.¹¹ Workers may only submit one task in any one-hour interval. The pay rate is \$0.20, and workers have fifteen minutes to complete the task once they accept it.

- 4. Simultaneously, we create three employers that post 12-cent surveys requesting information from workers' dashboards. These employers post new batches of tasks each hour for twenty-four hours each. Their reputation does not vary. The purpose of this task is to determine a natural baseline arrival rate that could be used as a control in the main regressions.
- 5. We record the quantity and quality of completed tasks. We do not respond to communications and do not pay workers until the experiment concludes.

As a study of employer reputation, we anticipated that reputation may evolve naturally over the course of the experiment as workers discussed the tasks on public forums. If reputation propagated from Turkopticon to other forums, we expected the effect of reputation to rise over time. If workers noticed and publicized that employers of different names actually had the same identity, we expected the result to diminish over time.

The first instance occurred at 7 PM on Tuesday, when a task was recommended on the Reddit subforum "HITs Worth Turking For." On Thursday¹³ at 4:14 PM, a worker posted a list of the 24 employers with good and bad ratings on Reddit, noting their similarities and suggesting that the reviews were created by fake accounts. On Thursday at 5:22 PM, to address concerns that employers were falsifying reviews with the intent of defrauding workers, we announced the experiment to a concerned group of workers on a Turkopticon discussion board and disclosed that all workers would be paid. On Thursday at 6:14 PM, the description of the experiment was cross-posted on Reddit.

Summarizing the results of the experiment, Figure 4 shows the cumulative distribution of arrivals across the three employer reputation types. By the conclusion of each of the twelve six-hour partitions, the employer with good ratings had attracted more work than the employer with neutral ratings, and the employer with neutral ratings had attracted more work than the employer with poor ratings.

[FIGURE 4]

¹¹Alcoholic items came from a list of 25 bestselling beers. This task therefore features simple image recognition, abbreviation recognition, and domain knowledge.

¹²The post included a link to the task and the note: "Similar to the ones posted earlier, entering alcoholic purchases from a receipt. Takes less than a minute, excellent [Turkopticon rating]."

¹³Thursday is the last day of the three days of the experiment

Table 2 shows results from a Poisson regression model. Poisson regression results find that the differences in the arrival rates of submitted tasks are generally statistically significant across partitions of the experiment. They are also robust to day and hour fixed effects, and to using the baseline task's arrival rate as a control. The arrival rate of task previews, task acceptances, and error-free submissions was also significantly faster for the employer with a good reputation and slower for the employer with a poor reputation.

[TABLE 2]

Table 3 shows results from a negative binomial model. This allows for overdispersion, relaxing the Poisson regression assumption that counts follow a Poisson distribution with E(Y) = Var(Y). These regressions generally reject that counts follow a Poisson distribution, leading us to prefer the negative binomial model.

In all samples except for the six-hour partitions, employers with good reputations attract work more quickly than employers with poor reputations with p < 0.01. However, if comparing only against noreputation employers at a 5% significance level, employers with a good reputation do not receive submitted work significantly faster than those with no reputation, and employers with a poor reputation receive submitted work significantly slower only in the full samples.

[TABLE 3]

We also examine differences in estimated effort and quality. The mean time spent per task for good reputation, no reputation, and poor reputation employers were respectively 136, 113, and 121 seconds. The difference between good reputation and no reputation employers is statistically significant with p < 0.01. For each of the three groups, the error-free rates were between 61% and 63% and the major-error rates (e.g. no alcoholic items identified) were between 3.0% and 5.2%. Differences in the error-free rates and major-error rates are not statistically significant.¹⁵ Mason and Watts (2010) also found that higher payments raise the quantity, but not quality, of submitted work; it appears to be difficult to improve quality by either reputation or pay.

In the full sample, 45.2% of the submitted tasks were not the first tasks submitted by an individual worker, and 9.7% of the submitted tasks were the sixth task or greater. The high incidence of repeat submissions may be for a number of factors, including: power-users, correlated task search criteria (e.g. individuals continuously search using the same criteria), automated alerts (e.g. TurkAlert), or purposely searching for the same task across hours.

Table 4 shows results from our preferred specification of the negative binomial regressions to estimate the arrival rates of task previews, acceptances, submissions, first submissions (by worker), and correct first submissions. These specifications omit the last twelve hours in which the experiment was disclosed and also

 $^{^{14}\}mathrm{Over dispersion}$ may have resulted from time-of-day effects.

¹⁵Differences are for a two-sample t-test for equal means of the log-work time with $\alpha < 0.1$. Error-free receipts are those in which all alcoholic items were identified, no non-alcoholic items were identified, and the prices were entered correctly. Major-error receipts are those in which no alcoholic items were identified, or more than six items are listed.

include day and hour fixed effects. Results provide evidence that good reputations produce more previews, acceptances, submissions, first submissions, and correct first submissions.

[TABLE 4]

The point estimates in column (3) suggest employers with good and no reputations respectively outperform those with bad reputations by 84% and 36%. Horton and Chilton (2010) estimate that Mechanical Turk workers have an extensive-margin, median-wage elasticity of 0.43. If this point elasticity holds for our sample, a bad-reputation employer that pays \$0.59, a no-reputation employer that pays \$0.37, and a good-reputation employer that pays \$0.20 would attract work at the same rate.

Table 4 also provides evidence about the effects of reputation on various steps in the matching process. Conditional on a worker previewing a task, the probability of accepting the task is not significantly different by treatment. If information received by previewing a task (e.g. the type of the task, the intuitiveness of the user interface) were a substitute for reputation information, then good reputation employers would lose fewer workers during the preview stage than no-reputation employers. In the former, but not latter, workers would already have received the signal prior to previewing the task. This evidence suggests that observable task characteristics do not substitute for reputation information. The reputation system adds information above what workers can otherwise observe.

Turkopticon is not native to the Mechanical Turk interface and must be installed by the worker. As such, the reputations we endow are visible only to a fraction of workers, and so only part of the "treated" population actually receives the treatment. To estimate the share of Mechanical Turk jobseekers who use Turkopticon, we posted a one-question, free response survey asking, "How do you choose whether or not to accept HITs from a requestor you haven't worked for before? Please describe any factors you consider, any steps you take, and any tools or resources you use." Because we posted the survey from a requester account that did not have a Turkopticon rating, and because we require workers to identify Turkopticon specifically, we expected this procedure to yield a conservative estimate of the true portion of job-seekers who use Turkopticon. Of these, fifty-five of the 100 responses mention Turkopticon explicitly, and seven other responses mention other or unspecified websites. To the extent the models estimate the effect of a poor Turkopticon reputation on an employer's ability to attract work, we expect this methodology to yield more accurate estimates than would a method that restricts the population to Turkopticon users. To the extent the models estimate the effect of a known reputation on an employer's ability to attract work, we expect non-participation in Turkopticon to result in attenuation bias that would reduce the magnitude of coefficients and raise standard errors. The potential attenuation bias suggests that as the share of informed workers increases, the gap in the arrival rates between good- and bad- reputation employers would also increase.

In principle, Turkopticon could be orthogonal to employer type, and instead be providing information on task types (e.g. survey or photo categorization) rather than employer types. We do not find evidence that this is the case. First, Turkopticon rates employers on fairness, communicativity, promptness, and generosity; unlike task type, these are revealed only after workers have invested effort and are subject to the hold-up problem. Textual comments also emphasize information that would only be revealed to prospective workers after investing effort. Second, the RA's task classifications in experiment 1 are not significantly correlated with Turkopticon scores. Third, in experiment 2, the observed probability of accepting a task conditional on previewing a task does not vary significantly by employer type, suggesting workers screened on Turkopticon ratings and not previews.

Altogether, the second experiment supports the hypothesis that workers are attracted to employers with a good reputation and discouraged from those with a bad reputation. Through the experiment, the spread of information from Turkopticon to other sites also demonstrates how Mechanical Turk workers use public forums to attract others to well-reputed employers.

IV Model

We offer a simple model of job search in which there is no contract enforcement and yet some employers are deterred from nonpayment by the threat of losing future work. Workers incur a search cost to receive a wage offer from a random employer. Some share of workers are "informed," able to observe any employer's pay history. If the worker accepts the offer, the worker further incurs a cost of effort, produces work product, and then the employer chooses whether to pay or to renege. If the employer reneges, informed workers will refuse to work for them. We take the share of informed workers to be exogenous, and characterize an interesting but non-unique equilibrium in which employers with a good reputation continue to pay as long as this share is sufficiently high. Otherwise, the reneging temptation is too great and all workers exit from the labor market.¹⁶

We refer to employers' practices of always paying or never paying as high-road and low-road strategies, and to the employers themselves as high-road and low-road employers. Low-road employers attract work more slowly but save on labor costs. High-road employers attract work more quickly but pay more in wages. The share of low-road employers increases in the share of uninformed workers and the value created by a match. It decreases in the cost of search and the cost of worker effort.

Consider the following job search environment. There are measure 1 of workers indexed by $i \in [0, 1]$ and measure 1 of risk-neutral employers indexed by $j \in [0, 1]$. Workers with $i \leq p \in [0, 1)$ are informed to employers' past play. Workers who are indifferent between accepting and rejecting offers choose to accept. Employers indifferent between paying and reneging choose to pay. The timing of a period of job search follows:

1. Worker i chooses whether to search. Those who do incur cost c and receive a wage promise w from a random employer-j. Informed workers also observe j's past decisions to pay or renege. Non-searching

¹⁶Other studies show how reputation systems and credentials can improve efficiency in other online markets including eBay (Nosko and Tadelis, 2014; Hui et al., 2014) and Airbnb (Fradkin et al., 2014).

workers receive 0 and proceed to the next period of job search. Think of 0 as the value of not participating in the labor market.

- 2. Worker *i* decides whether to accept or reject employer *j*'s offer. If the worker accepts, he incurs cost of effort *e* and *j* receives work product with value *y*. If the worker rejects, he receives 0 and proceeds to the next period of job search.
- 3. Employer-j decides whether to pay w or to renege and pay 0. Employers discount future periods at rate δ .

To focus on the interesting equilibrium, suppose the following parameter restrictions. First, the gains from trade, farsightedness, and share of informed workers are sufficiently great that high-road employers do not renege, $\delta py - w \geq 0$. Second, promised wages and the share of high-road employers (denoted by $s \in [0,1)$) are sufficiently great that workers participate in the labor market, $sw - c - e \geq 0$. Under these conditions, there exists an equilibrium in which:

- 1. For high-(low-)road employers it is incentive compatible in any period to (not) pay.
- 2. Informed workers employ a trigger strategy, accepting only offers from employers that have never reneged.
- 3. Uninformed workers accept all jobs.
- 4. The share of high-road employers will depend on the share of informed workers.

Proof: Consider the case of a low-road employer. In any period, with probability p, the offer is received and rejected by an informed worker, yielding a payoff 0. With probability 1-p, the offer is received and accepted by an uninformed worker, yielding payoff y. Low-road employers receive no benefit from paying wage w in any period. Then the present value payoff for low-road employers is $(1-\delta)^{-1}(1-p)y$. Now consider high-road employers. In this case, all offers are accepted and all workers are paid, yielding present value payoff $(1-\delta)^{-1}(y-w)$. High-road employers prefer payment to reneging if $(1-\delta)^{-1}(y-w) \ge y + \delta(1-\delta)^{-1}(1-p)y$. Reducing yields the difference in present value of paying $\delta py - w \ge 0$, which follows from the first parameter restriction. Now consider workers. Informed workers encounter a high-road employer in any period with probability s. They accept offers from high-road employers because $w - e - c \ge -c$, which follows from $sw - c - e \ge 0$. They reject offers from low-road employers because -c > -c - e. Therefore, the present value of this strategy is $(1-\delta)^{-1}[s(w-e)-c]$. Uninformed workers accept all offers. Their present value is $(1-\delta)^{-1}(sw-e-c)$. Both informed and uninformed workers' payoffs satisfy their labor force participation constraint under the parameter restriction sw - c - e > 0.

The high-road employer's incentive compatibility constraint, $\delta py - w \geq 0$, is satisfied if three conditions are met: a sufficiently informed workforce would discipline a high-road employer that chose to renege, sufficiently farsighted employers that do not discount this punishment, and sufficient rents. Otherwise, high

road employers choose instead to renege, the value of market participation for all workers becomes negative, and no work is performed.

The workers' participation constraint requires a sufficiently high share of employers that pay. Given p, the share of high-road employers (s) cannot fall below $\underline{s} \geq (e+c)(\delta py)^{-1}$. For low values of s, the payoff for uninformed workers does not satisfy their participation constraint. These conditions imply which combinations of worker-informedness p and high-road employer shares s are supportable in this equilibrium.

V Conclusion

Our main results provide evidence that reputation is valuable for both workers and for employers with good reputations. In our experiment, we get clean measures of the partial equilibrium values of employer reputation for workers and employers. Public, collectively-created reputation is valuable for workers because it lets them differentiate otherwise indistinguishable employers that in fact differ systematically. We estimate that working only for good-reputation employers would make workers' wages about 40 percent higher than working for no- or bad-reputation employers. Because many workers do use the reputation system in deciding whom to work for, employers with good reputations enjoy twice the arrival rate of bad-reputation employers.

Mechanical Turk, like many microcontracting services, offers little contractual protection for workers. Payment for services, time to payment, and implicit wage rates are all noncontractible. However, this study demonstrates the willingness of low-paid workers to contribute to a collective memory that serves to discipline and deter bad behavior. It also suggests that a well-managed reputation system may effectively substitute for such enforcement. With its administrative data, Amazon could give workers access to historical information on each employer such as average past wage and rejection rates. It could also create a native, subjective rating system, as oDesk-Elance has and as Amazon has for consumer products. The lack of information about employer reputations coupled with the lack of contract enforcement may be limiting the market to the small size that a reputation can discipline, and to small tasks that are relatively short and well-defined; relatively few workers would risk investing a week into a task when the criteria for acceptance are poorly defined and payment is nonenforceable.

Some puzzling empirical results remain:

- Why do workers rate employers? Because variation in realized wages is wide and tasks posted by good
 employers are scarce, revealed good employers could be thought of as valuable private information.
 Nevertheless, experiment 1 provides evidence that these ratings are informative. Workers may be
 motivated by altruism toward other workers or a desire to punish perceived bad employers.
- Why, in experiment 1, did good reputation employers have higher effective wage rates than bad reputation employers? Following Klein and Leffler (1981), when there is a potential hold-up problem, good reputations should allow trading partners to extract favorable terms, such as the ability to

attract work at lower pay. It's possible that an employer's reputation is correlated with other employer characteristics. One possibility, following Bartling, Fehr and Schmidt (2012), is that employers are heterogenous in their altruism, and altruistic employers pay higher wages and have better reputations. Another alternative is that employers are heterogenous in their discount rates, and impatient employers pay higher wages and maintain good reputations to get work accomplished quickly. In Mechanical Turk, these underlying employer characteristics may be more important than the mechanism offered by Klein and Leffler alone, and may also offer some guidance as to why Klein and Leffler's predictions have sometimes had mixed success empirically.

• Why, in experiment 2, was the quality of submitted work not significantly different by reputation? Theoretically, the relationship between submission quality and reputations is ambiguous. A good reputation could signal to workers that employers accept all correct submissions and reject all incorrect submissions, while a bad reputation could signal that they reject all submissions. In this case, there may be greater to effort as workers strive for accuracy. Alternatively, a good reputation could signal to workers that these employers are "pushovers" that accept all submissions regardless of accuracy, while a bad reputation could suggest that these employers reject incorrect submissions.

These puzzles relate to a more general question for the relational-contracting literature: Are workers willing to share their private knowledge of employers' quality, such that an employers' public reputation can substitute both for private reputation and for contractual enforcement?

Most markets have information problems to some degree. For Mechanical Turk workers, Turkopticon is the Dun & Bradstreet of procurers, the Moody's of lenders, the Metacritic of moviegoers, and the professional licensing of employers. Each of these institutions offers extralegal protections to protect against contractual incompleteness. Workers have traditionally used labor unions as a venue for exchanging information about working conditions and coordinating collective withdrawal of trade in order to discipline employers. The rise of new institutions that facilitate information sharing may be taking up some of this role.

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VI Tables

Table 1— Rejection and time-to-payment by employer reputation

					paired	l test p-	values
	Mean	Std. Err	or	N	Good	None	Bad
Main outcomes							
1. Rejection rates							
Good Reputation	0.013	0.0	08	223		0.073	0.003
No Reputation	0.043	0.0	16	164	0.073		0.246
Bad Reputation	0.071	0.0	18	211	0.003	0.246	
2. Days to decision							
Good Reputation	1.679	0.1	46	223		0.132	< 0.001
No Reputation	2.296	0.4	33	164	0.132		0.03
Bad Reputation	3.715	0.4	67	211	< 0.001	0.03	
3. Realized wage rates							
Good Reputation	2.834	0.2	28	173		0.011	0.043
No Reputation	1.957	0.2	59	141	0.011		0.949
Bad Reputation	1.986	0.3	52	168	0.043	0.949	
Other outcomes							
4. Days to decision, accepts only							
Good Reputation	1.643	0.1	44	220		0.083	< 0.001
No Reputation	2.368	0.4	51	157	0.083		0.023
Bad Reputation	3.943	0.4	99	196	< 0.001	0.023	
5. Promised wage rates							
Good Reputation	2.834	0.2	28	173		0.017	0.098
No Reputation	2.011	0.2	57	141	0.017		0.771
Bad Reputation	2.142	0.3	52	168	0.098	0.771	

Note – Rejection rate p-values are from a χ^2 test that rejection rates are the same between the row and column. Time-to-pay p-values are from a two-sample t-test that the mean times-to-pay are the same between the row and column.

Table 2— Poisson regression for arrival of submitted tasks and other events

	Good Reputation		No Reputation			
Sample	β	SE	β	SE	periods	total events
Event: submitted tasks						
Full sample						
(1) All submitted tasks	2.053*	(.132)	1.503*	(.102)	72	1641
· /		,		,		
Subsamples						
(2) Day 1 only	4.104*	(.467)	2.135*	(.264)	24	695
(3) Day 1-2 only	2.424*	(.196)	1.76*	(.15)	48	1125
(4) 12AM-6AM	1.679*	(.401)	1.393	(.345)	18	114
(5) 6AM-12PM	2.843*	(.35)	2.157*	(.277)	18	534
(6) 12PM-6PM	1.096	(.13)	.978	(.12)	18	415
(7) 6PM-12AM	2.694*	(.304)	1.648*	(.201)	18	577
Excluding last 12 hours						
(8) No controls	2.466*	(.185)	1.803*	(.142)	60	1313
(9) Controls for baseline rate	2.606*	(.201)	1.915*	(.156)	60	1313
(10) Day fixed effects	2.466*	(.185)	1.803*	(.142)	60	1313
(11) Hour fixed effects	2.093*	(.169)	1.471*	(.122)	60	1313
Essent ather						
Event: other	0.01.4*	(1.40)	1 405*	(000)	70	1097
(12) Task previews	2.314*	(.142)	1.495*	(.099)	72	1837
(13) Task accepts	2.141*	(.133)	1.551*	(.102)	72	1799
(14) Error-free submissions	2.018*	(.165)	1.5*	(.129)	72 72	1012
(15) First submissions	2.871*	(.261)	1.644*	(.163)	72	899
(16) Error-free first submissions	2.88*	(.349)	1.641*	(.217)	72	508

Note – * p < 0.05. Coefficients are incident rate ratios with no reputation as the omitted category. Standard errors in parentheses.

Table 3— Negative binomial regression for arrival of submitted tasks and other events

	Good Reputation		No Reputation			
Sample	β	SE	β	SE	periods	total events
D						
Event: submitted tasks						
Full sample	0.0504	/ =\		(0.00)		
(1) All submitted tasks	2.053*	(.5)	1.503	(.368)	72	1641
Subsamples						
(2) Day 1 only	4.104*	(1.969)	2.135	(1.03)	24	695
(3) Day 1-2 only	2.424*	(.766)	1.76	(.559)	48	1125
(4) 12AM-6AM	1.679	(.823)	1.393	(.689)	18	114
(5) 6AM-12PM	2.843*	(1.201)	2.157	(.915)	18	534
(6) 12PM-6PM	1.096	(.267)	.978	(.239)	18	415
(7) 6PM-12AM	2.694*	(.955)	1.648	(.589)	18	577
Excluding last 12 hours						
(8) No controls	2.466*	(.704)	1.803*	(.516)	60	1313
(9) Controls for baseline rate	2.523*	(.719)	1.808*	(.515)	60	1313
(10) Day fixed effects	2.294*	(.654)	1.778*	(.498)	60	1313
(11) Hour fixed effects	1.858*	(.274)	1.374*	(.205)	60	1313
Event, other						
Event: other	0.214*	(571)	1 405	(27)	70	1027
(12) Task previews	2.314*	(.571)	1.495	(.37)	72	1837
(13) Task accepts	2.141*	(.529)	1.551	(.384)	72 72	1799
(14) Error-free submissions	2.018*	(.548)	1.5	(.41)	72	1012
(15) First submissions	2.871*	(.804)	1.644	(.465)	72	899
(16) Error-free first submissions	2.88*	(.928)	1.641	(.536)	72	508

Note – * p < 0.05. Coefficients are incident rate ratios with no reputation as the omitted category. Standard errors in parentheses.

Table 4— Preferred specification: negative binomial regression of arrival rates in the first sixty hours

	Previews	Acceptances	Submissions	First submissions	Correct first submissions
	(1)	(2)	(3)	(4)	(5)
C 1	1.004*	1 000*	1.096*	0.400*	1 055*
Good reputation	1.964* (0.280)	1.909* (0.277)	1.836* (0.262)	2.488* (0.426)	1.855* (0.405)
No reputation	1.403*	1.387*	1.364*	1.608*	(0.405) 1.261
110 reputation	(0.204)	(0.203)	(0.196)	(0.277)	(0.278)
Constant	16.56*	14.10*	13.31*	8.024*	3.54*
	(4.907)	(4.300)	(4.002)	(2.788)	(1.729)
Day FE	Yes	Yes	Yes	Yes	Yes
Hour FE	Yes	Yes	Yes	Yes	Yes
Observations	60	60	60	60	60

Standard errors in parentheses. *p<0.05

FIGURE 1: Mechanical Turk worker's job search process: Turkopticon

Step 1: Workers view a list of available tasks



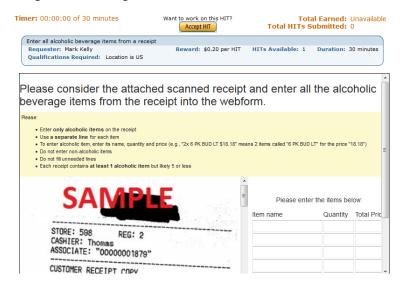
Step 2: Workers with Turkopticon may screen employer employer ratings



NOTE – Screen capture of a Mechanical Turk worker's job search interface. The tooltip box left-of-center is available to workers who have installed Turkopticon, and shows color-coded ratings of the employer's communicativity, generosity, fairness, and promptness. It also offers a link to longform reviews.

FIGURE 2: Mechanical Turk worker's job search process: previewing, accepting, and submitting tasks

Step 3: Workers preview tasks



Step 4: Workers accept, perform, and submit tasks



NOTE – Screen capture of a Mechanical Turk worker's job search interface. From the list of tasks, workers must choose to preview a task before accepting the task. They then enter data into the webform and submit their work.

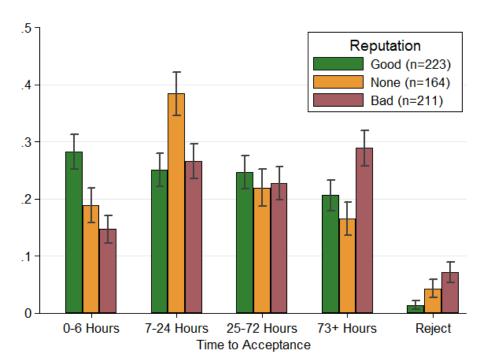


FIGURE 3: Time to payment and rejection by employer reputation

Note – Whiskers represent standard errors. p-values for a χ^2 test that shares are independent of reputation are respectively: 0.002, 0.011, 0.805, 0.012, and 0.007.

Cumulative sum
Good
None
Bad

12AM Tue
12AM Wed
Experiment Period

Figure 4: Cumulative accepted jobs by employer reputation

Note – Bold lines represent active job listings.

VII Appendix

FIGURE 5: Balanced, random allocation of employer identities to time-slots with reputation

	Tuesday	Wednesday	Thursday
0:00	Mark Kelly	Thomas Jordan	Mark Jordan
1:00	Joseph Warren	Joseph Jordan	Mark Warren
2:00	Thomas Warren	Mark Jordan	Joseph Kelly
3:00	Thomas Kelly	Thomas Jordan	Thomas Warren
4:00	Mark Warren	Joseph Warren	Mark Kelly
5:00	Joseph Kelly	Joseph Jordan	Thomas Kelly
6:00	Joseph Lewis	Thomas Lewis	Mark Lewis
7:00	Mark Roberts	Thomas Roberts	Thomas Clark
8:00	Thomas Clark	Thomas Lewis	Mark Clark
9:00	Mark Clark	Mark Lewis	Joseph Clark
10:00	Joseph Clark	Joseph Roberts	Joseph Lewis
11:00	Joseph Roberts	Thomas Roberts	Mark Roberts
12:00	Thomas Martin	Joseph Johnson	Joseph Martin
13:00	Thomas Adams	Joseph Adams	Mark Adams
14:00	Mark Martin	Mark Adams	Mark Johnson
15:00	Thomas Johnson	Thomas Adams	Joseph Adams
16:00	Mark Johnson	Thomas Johnson	Mark Martin
17:00	Joseph Martin	Thomas Martin	Joseph Johnson
18:00	Thomas Miller	Joseph Robinson	Thomas Robinson
19:00	Thomas Robinson	Mark Robinson	Thomas Owens
20:00	Mark Owens	Joseph Robinson	Mark Robinson
21:00	Joseph Owens	Joseph Miller	Mark Miller
22:00	Mark Miller	Thomas Miller	Joseph Miller
23:00	Thomas Owens	Mark Owens	Joseph Owens

Note – Red, green, and white denote employers endowed with bad, good, and no reputation, respectively.