Efficiency Wages, Deferred Payments, and Direct Incentives in Agriculture

Abstract
Empirical evidence from agricultural labor markets is consistent with efficiency-wage theory and inconsistent with several alternative explanations. According to this theory, the higher wage or deferred payment (benefits) that direct-hire growers pay relative to that of farm labor contractors is an efficiency wage. Growers use this extra compensation to lower their monitoring expenses and reduce shirking by workers.

Key words: deferred payments, efficiency wage, incentives

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