

# Can Pension be the Worker Discipline Device as Efficiency Wage?

(Preliminary Version)

Leran Wang

## Abstract

This study analyzes the pension's effect on working incentives by introducing pensions into the labor shirking efficiency wage model by Shapiro and Stiglitz (1984), and reveals that pensions can serve as the worker discipline as two ways: by different conditions that the monitoring parameters satisfy pension will either enforce the efficiency wage effect on worker discipline, by affecting the wage level positively; or the increase of pensions will bring down the wage level, ie. pension and the wage level has a tradeoff effect, and pension is also an attraction of workers as well as higher wages.

Keywords: equilibrium unemployment, pensions, efficiency wage model, incentive

JEL: J13, J51, J65