ECONOMICS ON ICE: RESEARCH ON PEER EFFECTS, REHIRING DECISIONS AND WORKER ABSENTEEISM

Economics on Ice: Research on Peer effects, rehiring decisions and worker absenteeism

Economie op het ijs: Onderzoek naar peer effecten, contract vernieuwingen en werknemers verzuim

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by

SAMUEL DALTON THOMAS HOEY born in Rotterdam.

Erasmus University Rotterdam

Ezafung

Doctoral Committee

Promotor: Prof.dr.ir. J.C. van Ours

Other members: Prof.dr. K.I.M. Rohde

Prof.dr. O.R. Marie Prof.dr. R.H. Koning

Copromotor: Dr. T.L.P.R. Peeters

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Introduction

"Ask not what economics can do for sports – Ask what sports can do for economics." - Bar-Eli et al. (2020)

There are two ways to look at the relationship between economics and sport. First there is the economics of sports, where economic theory and reasoning is used for the benefit of sport itself. Here, problems relating to anti-trust regulations as well as contest design can be investigated and improvements can be suggested by economists. Given the huge size of modern day sports-industries, this sub-field of sports-economics is becoming increasingly important. This is exemplified by Hoey et al. (2021)¹, who analyse the player transfer market in European soccer. The transfer system enables soccer clubs to receive a transfer fee when their workers switch firms while under contract, a labour market policy which is unique to this industry and puts severe restrictions on worker mobility. The initial reasons for putting this system in place are, firstly, to reward clubs for scouting talent and secondly to redistribute revenue from large clubs to small clubs to increase competitive balance, which in turn increases consumer enjoyment of the game. Our research shows that the current system does not redistribute revenues from large clubs to smaller clubs, in doing so debunking one of the central arguments in favor of its existence.

While sports industries can learn from economists, the reverse is also true. This thesis focusses on this second stream of sports-economics research and in doing so demonstrates the value of sports in answering both economic and managerial questions. More specifically, I establish the existence of peer effects in worker effort allocation, quantify the effect of co-worker absenteeism on team

¹This paper was written during the PhD, but is not contained in this thesis.

productivity and measure the effect of employer learning of worker skill on the later labour market outcomes of said workers. Historically, investigating such topics has been difficult for several reasons. First, detailed data on worker productivity and inter-worker relationship are needed, which in many industries are not available, either because they are not collected or are not publicly available. Second, it can be difficult to establish causal effects when analyzing these questions. Kahn (2000) argues that using data from sports industries has several advantages in this regard. Perhaps because of its popularity and fan interest, there is a large body of statistics and sports data available, providing detailed information on player productivity, health and co-working relationships, which are not as widely available in other settings. Additionally, the unique characteristics present in sports can provide the researcher with natural experiments, enabling them to estimate causal effects. Famous examples include Price and Wolfers (2010), Brown (2011) and Garicano et al. (2005), each of which exploit unique features of sports to establish causal estimates of racism, peer effects and social pressure, respectively.

This thesis uses sports data in a similar fashion, utilizing its unique characteristics to establish key economic relationships. Starting with Chapter two, I evaluate the relationship between early career exposure of junior workers to their employers and their later labor market outcomes. In estimating this relationship it is difficult to make causal claims, primarily because more talented junior workers often get more opportunity to show their skill and at the same time are also more likely to have more favorable labor market outcomes as a result of their talent. To solve this issue, I implement a novel instrumental variable strategy, using co-worker injuries in the National Hockey League as a source of random variation in how many opportunities each junior worker gets to demonstrate their talent to their employer. In essence, the idea is that coworker injuries open up opportunities for junior workers to step up and show what they're worth. As a result, the junior workers who have more co-worker injuries in their team during their entry-level career, also have more opportunities to show their talent, all else equal. My findings are threefold. First, I find that entry-level players who have more opportunities to show their talent during their entry-level career, have a higher chance of being rehired and obtain higher salaries in their post entry-level contract. Second, this relationship still holds after instrumenting playing opportunities with co-worker injuries during their entry-level career. This means that players who had more opportunities to show their talent resulting from plausibly exogenous co-worker injuries, also have better labour market outcomes. Third, I find that this relationship is most consistent with the employers learning about worker talent as a result of observing them, rather than the employees themselves becoming more skilled when given an opportunity to show their talent.

The third and fourth chapter study how team composition and disruptions to team composition affect team performance. Chapter three, which is jointly written with Francesco Amodio and Jeremy Schneider, examines how the arrival of workers with new skills affects the behavior of incumbent workers. To this end, we investigate how the large influx of Russian hockey players in the National Hockey League, following the dismantlement of the Soviet Union, affected the already present North American players. International games before 1989 exhibit how vastly different the playing styles of North American and Russian players are. North Americans put more emphasis on aggressive play and physical strength, whereas Russian players have a more skillful playing style. Following the influx of Russian players into the NHL, we ask whether this skillful style of play rubs off on the incumbent North American workers. To answer this question, we leverage 50 years of data at the player-game level, finding that (i) North American aggressive play as measured by the number of penalty minutes obtained increases steadily from 1970 to 1989, while decreasing after that, (ii) these trends are driven by North American players and (iii) the number of penalty minutes obtained by North American players is systematically lower when playing alongside or against more Russian players. From this we conclude that the Soviet style of play is at least partially adopted by North American players upon arrival of Russian players in the NHL. This finding can be seen as evidence in favor of the existence of peer effects in the effort allocation of workers in a multi-faceted work environment.

The fourth and final chapter evaluates the effect of co-worker absenteeism on team performance. This is joint work with Thomas Peeters and Jan van Ours. In our empirical setting all absent workers are replaced by a replacement worker. As such, co-worker absenteeism, following illness or injury, causes a disruption in a team's structure. In this paper we measure how this disruption affects the team's performance and decompose this effect into one part attributable to the skill difference between the absent worker and their replacement as well as a second part attributable to the change in performance of the ever present set of workers. To this end, we use a rich data set from the National Hockey League, containing detailed data on worker performance as well as worker absences, often caused by plausibly exogenous injuries. Furthermore, we distinguish between two types of absentees, those who perform the same task, the substitutable absentees and those who perform a complementary task. First, we find that the both types of worker absenteeism lead to lower productivity of the remaining ever-present set of workers, meaning that they produce less per

minute of work. When a substitute worker is absent, these workers compensate for this loss in productivity by increasing their working time, leading to a net zero effect on output. Replacement workers themselves only account for a share of the lost working time, causing this increase in working time for the remaining set of workers. In contrast, complementary worker absences, do not lead to an increase in working time. Combined with the fact that the productivity effect of these absences are also more severe, we find that the output effect is much more pronounced in the case of complementary worker injuries. At the team level absenteeism decreases production through both a decrease in productivity of the remaining workers as well as the lower ability of replacement workers in comparison to the absent worker whom they replace.

In conclusion, this thesis establishes four main points. First, junior workers' later labour market outcomes are improved when they get more opportunities to demonstrate their talent to their current (and also prospective) employers. Second, introducing a new type of worker into an established industry can have an effect on the working style and effort allocation of the incumbent workers. Third, co-worker absenteeism not only affects team performance through the difference in ability of the absent worker and their replacement, but also through the reduction in productivity of the ever-present set of workers. Finally, this thesis forms a prime example of how sports industries and sports data can be leveraged to answer key economic questions, which are otherwise difficult to answer.

1.1 Individual Contributions

Here I describe the contributions of each author per chapter.

Chapter 2	Sam Hoey	Single-authored with feedback from supervisors
Chantan 2	Enoncess Amedia	Concentralization Mathedalom Writing Analysis
Chapter 3	Francesco Amodio	Conceptualization, Methodology, Writing, Analysis
	Sam Hoey	Conceptualization, Data curation, Methodology, Writing
	Jeremy Schneider	Conceptualization, Methodology, Writing, Analysis
Chapter 4	Sam Hoey	Conceptualization, Data curation, Methodology, Writing, Analysis
	Thomas Peeters	Conceptualization, Methodology, Writing
	Jan van Ours	Conceptualization, Methodology, Writing, Analysis

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Summary

In this thesis I use ice hockey data from the National Hockey League to answer various questions within the domain of labour economics. Chapter two investigates whether early career exposure of entry-level workers to their employers improves their later labour market outcomes. The research finds that entrylevel workers who get more opportunities to demonstrate their talent are more likely to be rehired and obtain higher post entry-level salaries. Mechanisms analyses indicate that this effect is primarily attributable to employers learning about worker talent as a result of observing them and updating their beliefs about their talent. Chapter three shifts the focus to inter worker dynamics and team performance. Here I find that an unexpected influx of foreign workers with a different working style into an established industry changes the behavior and effort allocation of incumbent workers to be more similar to the behavior of the incoming workforce. Chapter four evaluates the effect of worker absenteeism on team performance. Findings indicate that team performance decreases as a result of worker absenteeism. This is a combination of the replacement workers being less skilled than the absent worker they replace as well as the ever-present set of workers being less productive following coworker absences. Further results show that this loss in productivity is compensated for by an increase in working time when the absent worker is substitutable, whereas this is not the case when there is a complementary worker absence.

Samenvatting

In dit proefschrift gebruik ik ijshockey data van de National Hockey League om verschillende vragen binnen het domein van de arbeidseconomie te beantwoorden. Hoofdstuk twee onderzoekt of vroege blootstelling van beginnende werknemers aan hun werkgevers hun latere arbeidsmarktresultaten verbetert. Uit het onderzoek blijkt dat beginnende werknemers die meer kansen krijgen om hun talent te laten zien, meer kans hebben om opnieuw te worden aangenomen en hogere salarissen te krijgen. Mechanisme analyses geven aan dat dit effect voornamelijk toe te schrijven is aan werkgevers die leren over het talent van werknemers door hen te observeren en hun opvattingen over hun talent bij te werken. Hoofdstuk drie verschuift de focus naar de dynamiek tussen werknemers en teamprestaties. Hier vind ik dat een onverwachte toestroom van buitenlandse werknemers met een andere werkstijl in een gevestigde industrie het gedrag en de toewijzing van inspanningen van al aanwezige werknemers verandert en assimileert met de werkstijl van de inkomende werknemers. Hoofdstuk vier evalueert het effect van arbeidsverzuim op teamprestaties. Uit de resultaten blijkt dat de teamprestaties afnemen als gevolg van ziekteverzuim. Dit resultaat is een combinatie van het feit dat de vervangende werknemers minder kundig zijn dan de afwezige werknemer die ze vervangen, en omdat de altijd aanwezige groep werknemers minder productief is na de afwezigheid van een collega. Verdere resultaten tonen aan dat dit productiviteitsverlies wordt gecompenseerd door een toename van de werktijd wanneer de afwezige werknemer vervangbaar is, terwijl dit niet het geval is wanneer er sprake is van een complementair werknemersverzuim.

About the Author

Sam Hoey was born on the 24th of May in 1996 in Rotterdam, The Netherlands. In 2016, he obtained the degree of Master of Arts (MA) in Economics at the University of Toronto. In 2018, Sam started as a Ph.D. candidate under the supervision of Prof.dr. Jan van Ours and Dr. Thomas Peeters. He carried out his research within the Department of Applied Economics at the Erasmus



School of Economics. During this period Sam was also affiliated with the Tinbergen Institute and the Erasmus Center for Applied Sports Economics (ECASE). In 2021 Sam visited the School of Kinesiology at the University of Michigan for a period of three months. During his research visit he was supervised by Prof.dr. Stefan Szymanski.

Sam's research focuses on using sports data to answer questions in the field of labour economics. In particular, he is interested in topics relating to peer effects and team production. Sam will continue his career as a Postdoctoral Scholar at the University of Luxembourg.

Portfolio

PEER-REVIEWED PUBLICATOINS

• The transfer system in European football: A pro-competitive nopoaching agreement? S. Hoey, T. Peeters and F. Principe, 2021, *Interna*tional Journal of Industrial Organization, 75, 102695.

WORKING PAPERS

- Skill Adoption, Learning and Diffusion: Evidence from Sovietstyle Hockey. F. Amodio, S. Hoey and J. Schneider.
- The Impact of Absent Coworkers on Productivity in Teams S. Hoey, T. Peeters and J. van Ours.

GRANTS AND PRIZES

2021 Best Young Researcher Paper Award, 12th European Sports Economics Association Conference.

TEACHING ACTIVITIES

- Sports Economics: Teaching assistant
- Seminar Strategy Economics: Teaching assistant
- Methods & Techniques: Teaching assistant
- Applied Microeconomics: Teaching assistant
- Intermediate Accounting: Teaching assistant

- · Thesis supervision
- Internship Supervisor

PHD COURSES AND CERTIFICATES

- Research Qualification (*Tinbergen Institute*) *Courses:*
 - Fundamental Mathematics
 - Statistics
 - Econometrics I
 - Econometrics II
 - Econometrics III
 - Labor Economics
 - Development Economics
 - Economics of Education
 - Health Economics
 - New Insights from Big Data into Inequality and Risk
 - Applied Microeconometrics
 - Economic Policy Research Workshop

CONFERENCES, WORKSHOPS, AND MEETINGS

- Society of Labor Economist Conference (Minneapolis, United States, 2022)
- European Sports Economics Assocation Conference (Online, 2021)
- ECASE Workshop (Rotterdam, the Netherlands, 2020)

EDUCATION

- Master of Arts in Economics (2017-2018, *University of Toronto*)
- Bachelor of Science in Economics and Business Economics (2014-2017, Erasmus University Rotterdam)

TI Publications List

The Tinbergen Institute is the Institute for Economic Research, which was founded in 1987 by the Faculties of Economics and Econometrics of the Erasmus University Rotterdam, University of Amsterdam and Vrije Universiteit Amsterdam. The Institute is named after the late Professor Jan Tinbergen, Dutch Nobel Prize laureate in economics in 1969. The Tinbergen Institute is located in Amsterdam and Rotterdam. For a full list of PhD theses that appeared in the series we refer to List of PhD Theses – Tinbergen.nl. The following books recently appeared in the Tinbergen Institute Research Series:

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