The Compensation of Conscience

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ABSTRACT

Markets are often praised for their efficiency, but they can also incentivize individuals to act against their moral convictions. This study quantifies the "price of conscience" in labor markets, investigating whether jobs requiring moral compromise offer higher wages. Using data from the National Longitudinal Survey of Youth 1997 (NLSY97) and Occupational Information Network (O*NET), we conduct a longitudinal fixed-effects analysis to examine how conscience-related job characteristics influence wages. Our findings suggest that occupations demanding greater moral compromise provide higher wages, and this premium increases with age and education. These results extend prior experimental evidence on morals and markets into real-world labor market dynamics.

Keywords: Conscience, Morals and Markets, Compensation Wage Differentials, Nora Szech

OBJECTIVES

We examine how markets may differentially compensate jobs that require workers to compromise their moral sense of right and wrong, allowing for the quantification of the price of conscience in labor market transactions.

In *The Wealth of Nations*, **Smith** (1776) recognized that workers are compensated for the loss of honor or the burden of disgrace. He writes: "Honour makes a great part of the reward of all honourable professions. In point of pecuniary gain, all things considered, they are generally underrecompensed... Disgrace has the contrary effect. The trade of a butcher is a brutal and an odious business; but it is in most places more profitable than the greater part of common trades. The most detestable of all employments, that of public executioner, is, in proportion to the quantity of work done, better paid than any common trade whatever."

In the *Poverty of Philosophy*, **Marx** (1847) too noted that "virtue, love, conviction, knowledge, conscience" are lamentably tradable objects and priced in markets.

Data and Methods

- **Sample Data**

NLSY97 (National Longitudinal Survey of Youth 1997) from the Bureau of Labor Statistics (BLS) covers the years 1997-2021, tracking 8,984 individuals who were 13-17 years old in 1997 and 37-41 years old in 2021. It provides detailed information on respondents, including demographic characteristics, family background, education, employment, income, health, and family formation. Key feature of NLSY97 is that it allows us to track all employment instances for each respondent using unique job identifiers.

O*NET (Occupational Information Network) is a comprehensive database developed by the U.S. Department of Labor that provides detailed information on job characteristics, required skills, and work environments across various occupations.

- **Outcome Variable**

All analyses is in logarithm of real hourly compensation in the NLSY97, which has been converted into 2020 U.S. dollars. This variable includes not only base hourly wages but also additional earnings such as overtime pay, tips, and bonuses, and it limited to between the real federal minimum wage and $150.

- **Explanatory Variable**

Our explanatory variable of interest is the conscience score of occupations. Responses are scored from 1 to 5, with 5 meaning a typical worker is never asked to compromise their conscience in a job.

- **Control Variable**

We control for factors affecting hourly compensation, including human capital, labor supply, and job characteristics from the NLSY97 sample, such as enrollment status, highest degree, years of unemployment, work hours, and job tenure. We also include indicators for union membership and self-employment. Additionally, we create occupation-specific controls using O*NET data, including indices for hazard, skills, social, care factors, and occupational autonomy, all standardized for easier interpretation.

FIGURES

Table 1: Top and Bottom 10 Occupations by Sector and Ranked by O*NET Conscience Score

	Top Occupations			Bottom Occupations	
Rank	Title	Score	Rank	Title	Score
Community, Legal, and Protective Services (2000-2150, 3700-3950)					
1	Arbitrators, Mediators, and Conciliators	2.12	34	Fire Inspectors	3.50
1	Administrative Law Judges	2.12	34	Animal Control Workers	3.50
1	Lawyers	2.12	34	Title Examiners and Abstractors	3.50
4	Judges and Magistrates	2.25	37	Police Records Officers	3.62
4	Probation Officers	2.25	38	Court Reporters	3.75
6	Child, Family, and School Social Workers	2.62	38	Lifeguards, Ski Patrol	3.75
7	Mental Health Counselors	2.75	38	Security Guards	3.75
7	Private Detectives and Investigators	2.75	38	Forest Fire Inspectors	3.75
9	Clergy	2.87	42	Municipal Firefighters	4.00
9	Police Detectives	2.87	43	Crossing Guards	4.25
Natural Resource, Construction, and Maintenance (6000-7620)					
1	Construction and Building Inspectors	2.75	110	Pipe Fitters and Steamfitters	4.50
2	Hunters and Trappers	3.00	110	Fence Erectors	4.50
3	Agricultural Inspectors	3.25	110	Electrical Power-Line Installers and Repairers	4.50
4	Supervisors of Animal Care Workers	3.50	110	Floor Sanders and Finishers	4.50
5	Fishers and Related Fishing Workers	3.62	110	Tire Repairers and Changers	4.50
5	Supervisors of Trades and Extraction Workers	3.62	110	Refrigeration Mechanics and Installers	4.50
5	Supervisors of Logging Workers	3.62	116	Musical Instrument Repairers and Tuners	4.59
5	Animal Breeders	3.62	117	Watch Repairers	4.62
9	Construction Laborers	3.75	117	Pile-Driver Operators	4.62
9	Hazardous Materials Removal Workers	3.75	117	Logging Equipment Operators	4.62

SUMMARY STATISTICS

Table 2: Sample Descriptive Statistics

	Mean	St. Dev.	Min	25th	75th	Max	N
Outcome and Explanatory Variables							
Hourly Compensation ($ USD 2020)	19.47	13.41	6.93	11.61	22.17	149.99	107,312
Conscience Score	0.63	0.17	0.00	0.52	0.77	1.00	107,312
Human Capital and Job Characteristics							
Enrollment Status	0.13	0.34	0.00	0.00	0.00	1.00	107,312
Degree							
≤ High School	0.74	0.44	0.00	0.00	1.00	1.00	107,312
Associates	0.06	0.24	0.00	0.00	0.00	1.00	107,312
Bachelors	0.16	0.37	0.00	0.00	0.00	1.00	107,312
Graduates	0.05	0.21	0.00	0.00	0.00	1.00	107,312
Cum. Years NILF	2.73	2.26	0.00	1.10	3.77	22.52	107,312
Cum. Years in Unemployment	0.74	1.03	0.00	0.10	0.98	17.79	107,312
Union Status	0.09	0.29	0.00	0.00	0.00	1.00	107,312
Self-Employed	0.04	0.19	0.00	0.00	0.00	1.00	107,312
Work Hours per Week	40.47	7.77	30.00	40.00	40.00	168.00	107,312
Job Tenure (Years)	2.51	3.16	0.00	0.44	3.27	29.92	107,312
Other Occupational Attributes							
Hazard Index	0.25	0.21	0.00	0.08	0.39	1.00	107,312
Skills Index	0.43	0.22	0.00	0.26	0.60	1.00	107,312
Care Index	0.49	0.18	0.00	0.37	0.56	1.00	107,312
Social Index	0.52	0.19	0.00	0.35	0.66	1.00	107,312

Notes: O*NET indices and score are scaled to range from zero to one using min-max standardization. NILF implies not-in-the-labor-force. The sample is restricted to workers aged 18 and older who work at least 30 hours per week, with hourly wages between the real federal minimum wage (in 2020 USD) and an upper bound of $150.00. Source: NLSY97, Waves 1997–2021.

- **ESTIMATION STRATEGY**

Function f (w, Z; X) describes the relationship between wages, job attributes, and worker characteristics.

Cross-Sectional Model:

$$ln(w_{ijt}) = \boldsymbol{X'_{ijt}}\beta + \alpha Z_{ij} + \delta_t + \epsilon_{ijt}$$

Worker Fixed-Effects Model:

$$ln(w_{ijt}) = \boldsymbol{X'_{ijt}}\beta + \alpha Z_{ij} + \boldsymbol{A'_{ij}}\gamma + \eta_i + \delta_t + \epsilon_{ijt}$$

$ln(w_{ijt})$ is the natural logarithm of hourly compensation for worker i in occupation j at time t.

$\boldsymbol{x'_{it}}$ is a set of observed worker-specific characteristics

Z_{ij} is the observed O*NET conscience score.

α quantifies the compensating differentials for conscience compromised occupations.

δ_t is year fixed-effect, for a pooled cross-sectional estimate of conscience score on wages.

ϵ_{ijt} is an error term assumed to be iid or come from a low-order moving-average process.

$\boldsymbol{A'_{ij}}$ accounts for a vector of other O*NET occupational attributes that are known to influence wage outcomes.

RESULTS

Table 3: Estimates of O*NET Conscience Score vis-a-vis Log Real Hourly Compensation

	(1)	(2)	(3)	(4)
Conscience Score (Z_{ij})	-0.455***	-0.177***	-0.156***	-0.091***
	(0.126)	(0.058)	(0.059)	(0.034)
Constant	2.711***	2.270***	2.385***	2.249***
	(0.101)	(0.073)	(0.050)	(0.052)
Observations	107,312	107,312	107,312	107,312
R-squared	0.207	0.454	0.614	0.665
Controls	No	Yes	No	Yes
Year FE	Yes	Yes	Yes	Yes
Worker FE	No	No	Yes	Yes

Notes: Standard errors clustered by occupation level denoted in parentheses. Significance is represented as follows: *** p<0.01, ** p<0.05, * p<0.1. O*NET conscience score is scaled from zero to one using min-max standardization. Controls are from Table 2. Additional controls include indicators for urbanicity, MSA, Census region, industry-specific fixed-effects, race/ethnicity, sex, and age (e.g., 18-21, 22-25, 26-29, 30-33, 34-37, and 38-41). Note that indicators for race/ethnicity and sex are omitted when controlling for worker fixed effects.

Table 4: Sensitivity Estimates of O*NET Conscience Score vis-a-vis Log Real Hourly Compensation

|	(1)	(2)	(3)	(4)	(5)
Conscience Score (Z_{ij})	-0.091***	-0.089**	-0.092***	-0.077**	-0.084***
	(0.034)	(0.038)	(0.029)	(0.035)	(0.031)
Constant	2.249***	2.235***	2.720***	2.374***	2.760***
	(0.052)	(0.057)	(0.055)	(0.055)	(0.060)
Observations	107,312	100,689	70,592	85,037	57,363
R-squared	0.665	0.665	0.710	0.699	0.733
Controls	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Worker FE	Yes	Yes	Yes	Yes	Yes
Autonomy Score	No	Yes	No	No	Yes
Age Restriction	No	No	Yes	No	Yes
Education Restriction	No	No	No	Yes	Yes

Notes: Standard errors clustered by occupation level denoted in parentheses. Significance is represented as follows: *** p<0.01, ** p<0.05, * p<0.1. O*NET conscience score is scaled from zero to one using min-max standardization. Controls are from Table 2. Additional controls include indicators for urbanicity, MSA, Census region, industry-specific fixed-effects, race/ethnicity, sex, and age (e.g., 18-21, 22-25, 26-29, 30-33, 34-37, and 38-41). Note that indicators for race/ethnicity and sex are omitted when controlling for worker fixed effects.

Table 5: Heterogeneity Estimates of O*NET Conscience Score vis-a-vis Log Real Hourly Compensation

|	(1)	(2)
Conscience Score (Z_{ij})	-0.098***	-0.046
	(0.010)	(0.037)
Conscience Score × Age	-0.016***	
	(0.001)	
Age	0.032***	
	(0.001)	
Conscience Score × Associates		-0.128**
		(0.062)
Conscience Score × Bachelors		-0.143***
		(0.050)
Conscience Score × Graduates		-0.291***
		(0.098)
Associates		0.159***
		(0.050)
Bachelors		0.268***
		(0.032)
Graduates		0.560***
		(0.053)
Constant	2.622***	2.218***
	(0.021)	(0.054)
Observations	107,312	107,312
R-squared	0.664	0.665
Controls	Yes	Yes
Year FE	Yes	Yes
Worker FE	Yes	Yes

Notes: Standard errors clustered by occupation level denoted in parentheses. Significance is represented as follows: *** p<0.01, ** p<0.05, * p<0.1. O*NET conscience score is scaled from zero to one using min-max standardization. Age and conscience score are centered variables in column (2). Controls are from Table 2. Additional controls include indicators for urbanicity, MSA, Census region, industry-specific fixed-effects, race/ethnicity, sex, and age (e.g., 18-21, 22-25, 26-29, 30-33, 34-37, and 38-41). Note that indicators for race/ethnicity and sex are omitted when controlling for worker fixed effects.

RESULTS (continue)

Figure 1: Predicted Hourly Compensation by Age and O*NET Conscience Score
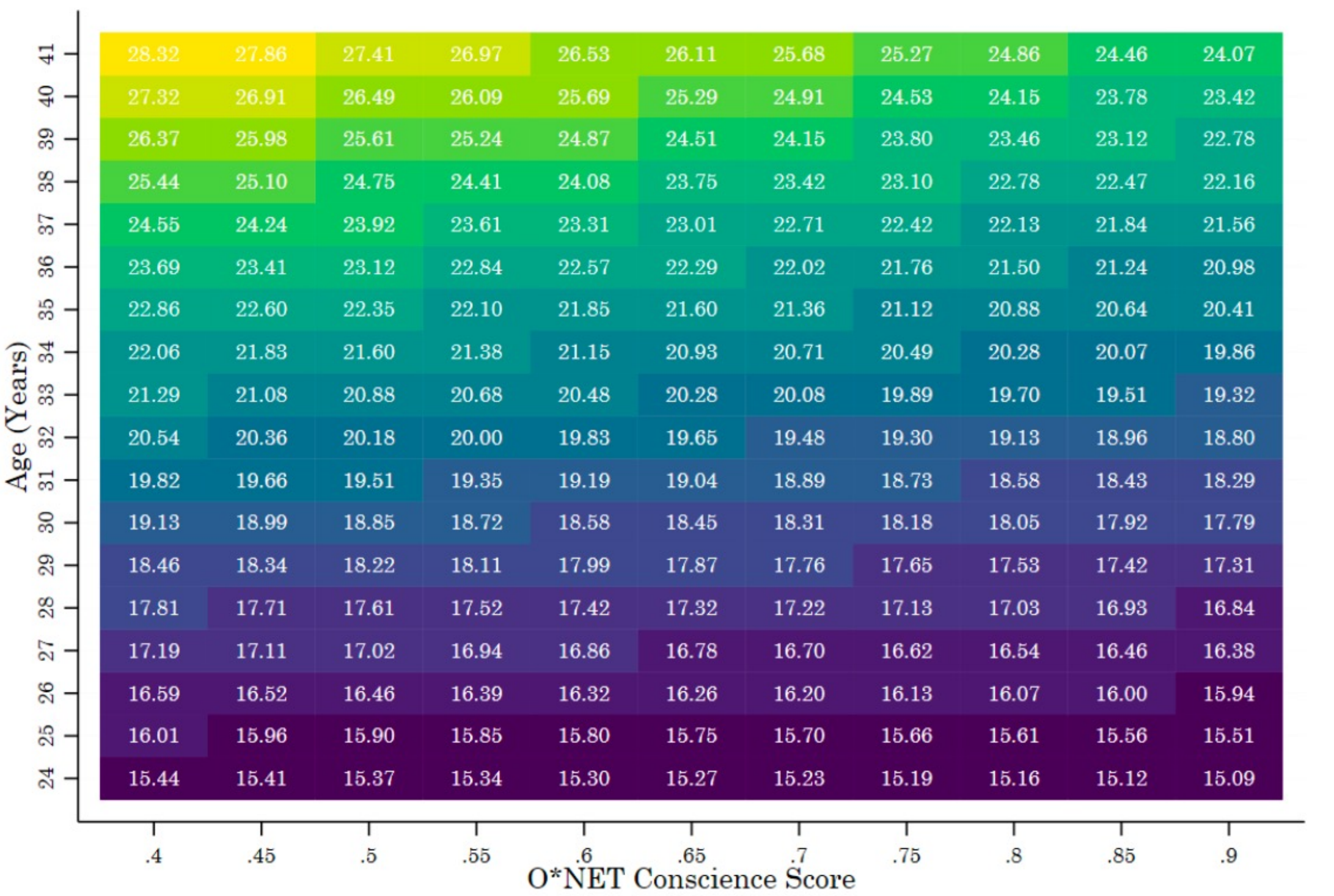
Notes: These predictions are from the estimated coefficient for the interaction between the conscience score and age in column (1) of Table 5. Both age and conscience score are centered variables. Hourly compensation is measured in 2020 U.S. dollars.
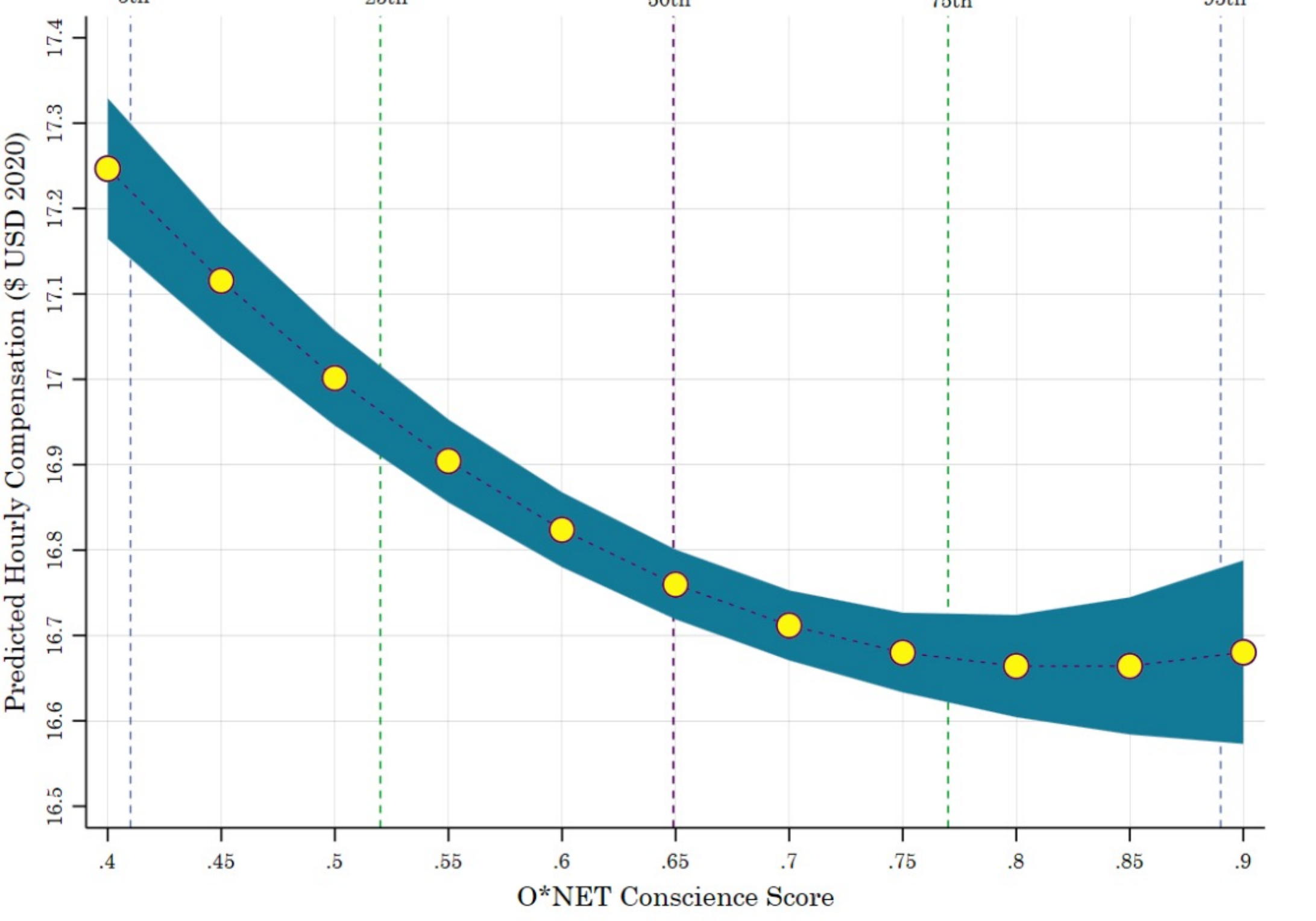
Notes: The curve is the predicted relationship from regressing log real hourly compensation on the conscience score, the conscience score squared, and the same controls from Equation 2. Shaded area denotes a 95 percent confidence interval.

Figure 2: Predicted Hourly Compensation ($ USD 2020)

DISCUSSION AND CONCLUSION

Our findings suggest that jobs requiring workers to compromise their moral beliefs offer a wage premium, with more experienced and educated workers demanding a higher price for such compromises. However, the relationship between conscience and wages is nonlinear, with the premium for compromising moral values exceeding the penalty for jobs aligning with one's morals.

Over a hypothetical career from age 24 to 64, transitioning from an occupation in the 75th percentile (0.52) to the 25th percentile (0.77) on the conscience score results in an estimated lifetime earnings difference of $292,476 (95% CI: $159,914 to $425,294) in 2020 U.S. dollars. This reflects the price of conscience in labor markets, where workers value moral integrity differently—those willing to compromise it accept lower compensation than those who prioritize it highly.

While the price of conscience appears to increase with age and level of educational attainment, one mustn't ignore the inverse conclusion that younger, less experienced workers and especially those with a high school diploma or less, are differentially compensated least for the compromise of conscience.

Future research should further explore causal pathways to better understand how markets affect moral reasoning across different worker groups.