Pre-Analysis Plan:

Worker Preferences for Peers and Job Formality in Brazil*

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1 Introduction

1.1 Abstract

This study examines workers' preferences for job characteristics, focusing on two key attributes: the socio-demographic composition of coworkers and formal employment status. Using a discrete choice experiment with 5,000 currently employed workers in Brazil, we investigate individuals' willingness to pay (WTP) for working with same-race and same-gender peers and for formal employment contracts. The experiment presents participants with pairs of hypothetical job offers that randomly vary in workplace characteristics, including coworker composition, formality status, and wages. To understand the mechanisms behind racial coworker preferences, we collect data on general racial attitudes, beliefs about the benefits of working with same-race peers, and experiences of racial discrimination and harassment at work. Additionally, we examine how information about the costs and benefits of formal employment affects workers' valuation of formal contracts. This research contributes to our understanding of coworkers and formality as potentially important job amenities valued by workers.

1.2 Motivation

This pre-analysis plan outlines an online choice experiment that examines the preferences of Brazilian workers for various job attributes, with a particular focus on their WTP for working with demographically similar peers and for job formality.

A long tradition of theories in the social sciences, based on similarity attraction, social identity, social categorization, and discrimination (Byrne, 1971; McPherson *et al.*, 2001; Tajfel, 1981; Turner *et al.*, 1987), suggests that individuals exhibit homophilic preferences: People "love those who are like themselves", as already noted by Aristotle (1835) in his *Nicomachean Ethics*. Given the large role of social interactions in the workplace, also workers may have a preference for working for similar coworkers, in particular those of the same race and gender.

In a recent working paper, we have studied revealed coworker preferences using administrative matched employer-employee data from Brazil (Fietz and Schmeißer, 2024). In that paper, we examine how exogenous changes in workplace racial composition after coworker deaths affect workers' retention decisions. We find that non-white workers, when experiencing a reduction in the non-white share of their peer group, are more likely to quit their jobs and move to workplaces with more same-race peers, indicating that same-race coworker preferences drive the job choices of non-white workers. We don't find evidence for symmetric effects on white workers' retention, and we find no effects from a change in the gender composition of peer groups.

Building on these findings, the planned job choice experiment aims to add evidence on coworker preferences from stated choices. Workers will choose between two hypothetical jobs that vary in their racial and gender coworker composition, as signaled through AI-generated photos of team members, along with variation in wages and other job attributes. This allows us to quantify workers' WTP for working with same-race and same-gender colleagues. Moreover, the survey experiment will shed more light on the various mechanisms that explain coworker preferences.

As a second part of the experiment, we will examine workers' valuation of formality. In

Brazil, approximately 25% of dependent employees lack formal employment contracts through a signed work card ("Carteira Assinada") (IBGE, 2023). Previous research has focused on stringent labor market regulations (Harris and Todaro, 1970) and perverse incentives created by the tax and benefit system (Levy, 2008) as key drivers of informality, and some studies have examined workers' valuations of specific formality benefits in countries like Bangladesh and Colombia (Franco and Rodríguez-Valencia, 2023; Mahmud et al., 2021). Less attention has been paid to how workers value the complete package of benefits that comes with formalization and how information about the costs and benefits of formality shapes this valuation.[1] We, thus, will not only measure workers' WTP for formality but will also examine how providing information about formality's costs and benefits affects this valuation.

Our experimental design builds on Maestas et al. (2023), who implemented a survey experiment to estimate the WTP for various non-wage job attributes among workers in the US. Building on their approach, we present respondents with pairs of hypothetical jobs that randomly differ in their wages, team compositions, formality status, and other non-wage attributes. The stated preference method allows us to identify workers' average WTP for specific job attributes by observing their choices when faced with the trade-offs in job characteristics.

We will run the experiment on an online sample of dependent workers in Brazil (formal and informal). We plan to report the experimental evidence in two separate papers – one analyzing preferences for coworker characteristics and another examining the WTP for formal employment.

2 Study Design

2.1 Choice Experiment

In the job choice experiment, each survey respondent will be asked to make ten choices, each between two hypothetical jobs that differ along randomly chosen values of selected job attributes. In addition to the wage of the job, we will consider the following job attributes (see also Table 1 for an overview of the attributes and variations):

- Team composition (see details in Section 4)

- Formal work contract (see details in Section 5)

- Schedule flexibility

- Teamwork

- Lunch with coworkers

- Working from home

While our main focus is on the valuation of varying team compositions and having a formal contract, we include the additional job attributes to benchmark our results with previous job choice experiments in other settings (Colonnelli et al., 2023; He et al., 2021; Maestas et al., 2023;

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[1]While prior research has examined how information provision affects informality (for a review see Jessen and Kluve (2021)), it has primarily focused on business registration or self-employed rather than employees' understanding of formal employment benefits and rights.

Mas and Pallais, 2017; Nagler *et al.*, 2024; Wiswall and Zafar, 2018) and to analyze mechanisms for the valuation of team compositions (see Section 4).

For each choice, the hypothetical Job 1 and Job 2 always vary in the wage and the team composition, as well as in two other selected non-wage attributes. Across the ten choices, each combination of two (out of the five) other non-wage attributes will be selected once, with the order of the combinations being randomized across respondents. Within each of the two selected attributes, we choose one of the corresponding attribute values at random sequentially for both jobs without replacement. Importantly, the other three non-wage attributes that do not vary in a given choice are set to the values of the respondents' current job attributes. For this reason, prior to the experiment, respondents are asked questions about their current job's characteristics, including all the job attributes featured in the experiment.[2]

In addition to non-wage attributes, we randomly vary the wage between Job 1 and Job 2 by anchoring it on the respondents' current hourly wage w. In the pre-experiment survey, we ask respondents to state their current earnings, either hourly, weekly, bi-weekly, or monthly, and their working hours per week, to obtain the (implied) hourly wage.[3] The wages of hypothetical Job 1 and Job 2 are then set as $\theta_1 w$ and $\theta_2 w$, respectively, where θ_1 and θ_2 are drawn from a $N(1, 0.1^2)$ distribution and truncated to lie between 0.75 and 1.25. In the job profiles, we provide the hourly wage and the implied earnings in the unit in which the respondent originally reported their earnings (weekly, bi-weekly, or monthly).

To minimize the risk that respondents also interpret the shown attributes as signals of other unspecified job characteristics, we provide respondents with the following scenario before each choice: They are asked to consider that the two jobs are offered by the same company and involve the same tasks as in their current jobs. Moreover, the jobs would be done as part of two different teams that have different work arrangements as indicated by the provided job characteristics but are identical in all other unspecified job characteristics.

For each choice, we display the two hypothetical jobs with all characteristics side by side. To increase attention and reduce the ease of quickly clicking through the choices, we ask respondents to indicate their preferred choice by writing "1" or "2" for the respective job.

2.2 Survey Structure

The choice experiment is embedded in an online survey that elicits additional information on the respondents. The survey starts by providing respondents with an overview of the study and asking them for consent to use the collected data for research purposes. Then, they are asked background questions about their socio-demographic characteristics (age, gender, race, education, family status, state of residence) and the characteristics of their current job (tenure, wage, hours worked, occupation, size of workplace, signed work card, schedule flexibility, teamwork, lunch with coworkers, work from home option).

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[2]The exception is the race and gender composition of the respondents' current coworkers which we only elicit after the experiment to avoid that respondents are primed about the race and gender identities of the team members when seeing the photos. We don't need the current coworker composition for the experiment, because the team composition always varies across the two hypothetical jobs and is not anchored to the current job.

[3]If the earnings are provided weekly, bi-weekly, or monthly, we calculate and show to the respondents the implied hourly wage, and ask them to check and – if necessary – correct it.

Next, 50% of respondents are randomly chosen to receive information about the benefits and costs of having a formal contract in Brazil (see details in Section 5). After that, the choice experiment is implemented as explained above. The experiment ends with a question on which attributes the respondents generally prioritized in the choices they made.

After the experiment, respondents answer questions about their knowledge and assigned importance of different benefits and costs of having a formal contract, as well as the main barriers that they consider to receive a formal contract. Next, they provide information on the racial and gender composition of their current coworkers, and the interactions and friendships with their current coworkers. We also randomly split the respondents into three equal-sized groups, each of which is asked about their general racial attitudes, their beliefs about the benefits of working with same-race peers, and their experiences of racial discrimination and harassment at work. Finally, the survey ends with an open-ended question in which respondents can write about which team compositions they prefer.

2.3   Sample

The experiment will be run on a sample of workers in Brazil, who are currently employed in a formal or informal job and aged between 18 and 65. The sample will be recruited by the online survey provider *NetQuest*. We aim for a sample of 5,000 respondents, each of which will perform a series of 10 choice experiments, resulting in a planned sample size of 50,000 choices. The planned sample size is larger than in existing job choice experiments, such as Colonnelli et al. (2023) (N=24,120 choices), Folke and Rickne (2022) (N=11,961), Maestas et al. (2023) (N=17,380), Mas and Pallais (2017) (N=3,245), Nagler et al. (2023) (N=33,070), and Wiswall and Zafar (2018) (N=3,952), which will allow us to detect relatively small effect sizes.

2.4   Attention

We will use the data from respondents who completed the entire experiment and meet basic quality standards (e.g. in terms of survey completion time).

To measure the attention of respondents during the survey, we integrate two trick questions into the choice experiments, which are shown after the 3rd and the 7th out of the ten choices. The trick questions mimic the other choices by showing two job profiles and asking them below to indicate their preferred job. However, Job 1 and Job 2 are now identical in all characteristics, including the team photos and wages, and in the instructions above the job profiles we ask the respondent to skip the choice and enter a "0" as their preferred job. Based on the responses to the attention trick questions, we will classify respondents into three groups: all survey participants, those who correctly answer at least one of the attention questions, and those who correctly answer both questions. We plan to base our main results on the full sample, with findings from the other two subsamples reported as robustness checks. However, if we find evidence that noise from inattentive respondents strongly attenuates the WTP estimates in the full sample, we may present the WTP estimates from the restricted samples as the main results. In such a case, the results for the full sample will be included in an online appendix to the paper.

In the experiment, participants choose ten times between two jobs. To address the potential issue of participants becoming less attentive over time, we plan to assess whether our results

change when observations from the later rounds are excluded from the estimation sample. This will be done stepwise by progressively removing data from the final rounds (e.g., excluding only round 10, rounds 9 and 10, ..., rounds 6 to 10). If we find that excluding the final rounds does not affect our main results, we will use all rounds for our main results and describe the findings from the stepwise exclusion as robustness check. However, if including the final rounds strongly attenuates our WTP estimates, we may report results from a restricted sample as main results. In such a case, the results for the full sample will be included in an online appendix to the paper.

3   Estimation Strategy

We quantify preferences for job attributes using a WTP framework that follows Maestas *et al.* (2023). Consider an individual i who receives a linear indirect utility from job $j = \{1, 2\}$ in choice pair $p = \{1, ..., 10\}$ which is given by

$$V_{ijt} = \alpha + A'_{ijt}\beta + \delta \ln w_{ijt} + \epsilon_{ijt}, \tag{1}$$

where A_{ijt} represents the vector of non-wage job attributes and w_{ijt} denotes the wage rate. Thus, the probability of selecting job k over l in choice pair p can be modeled as

$$P(V_{ikt} > V_{ilt}) = \alpha + (A'_{ikt} - A'_{ilt})\beta + \delta(\ln w_{ikt} - \ln w_{ilt}) + \epsilon_{it}. \tag{2}$$

As our main specification, we will estimate model (2) using a standard logit model. Regarding robustness checks on the specification, we will follow the analyses in Maestas *et al.* (2023).

To derive the WTP for a given job attribute r, note that individual i is indifferent between a job without attribute r that pays wage w and a job that has attribute r and pays the wage $w - WTP^r$, i.e. if

$$\delta \ln w = \beta^r + \delta \ln(w - WTP^r). \tag{3}$$

Thus, we can calculate WTP^r as

$$WTP^r = w\left[1 - e^{\left(-\frac{\beta^r}{\delta}\right)}\right]. \tag{4}$$

We will present all the coefficients from model (2) after dividing by $1 - e^{\left(-\frac{\beta^r}{\delta}\right)}$. The resulting WTP estimates give the percentage wage change that is utility-equivalent to adding the attribute r to a job. Standard errors will be calculated using the delta method and adjusted for clustering at the respondent level.

4   Preferences for Team Composition

4.1   Signaling Team Composition

To signal the socio-demographic team composition, we show photos of six team members that the respondent would work with in the hypothetical job. We use photos generated by an AI algorithm on https://generated.photos/. Importantly, the AI tool allows us to manipulate

the skin tone of a given face while holding constant other facial features. We start with a pool of 120 different faces from the website (60 women and 60 men). For each face, we generate three different skin tone versions that align with the main racial categories in Brazil: *branco* (white), *pardo* (brown), and *preto* (black).

To verify the perception of skin tone differences in the photos, we conducted a pilot study with $N = 110$ Amazon Mechanical Turk workers in Brazil, each of whom evaluated six different photos. We find match rates that are very good for white skin tones (97% correctly classified as white), moderate for brown skin tones (56% correctly classified as brown), and good for black skin tones (79% correctly classified as black). While the results are consistent with some ambiguity around racial identities in Brazil, they show that the manipulated skin tones successfully shift the perceived racial identities of team members.

For the experiment, we assign photos to the hypothetical jobs in the following way. We start by randomly drawing a face for each team member in a job profile. We draw without replacement from the pool of 120 faces, such that no face will be shown twice across all the jobs. Next, we randomly choose the skin tone of each face in two steps. First, for each job card, we randomly draw a probability that each of the three racial categories is chosen for a given face. Specifically, we draw the probability to be white, π_{white}, from a uniform distribution between 0 and 1, and then we draw the probability to be brown, π_{brown}, from a uniform distribution between 0 and π_{white}, with the remainder $\pi_{black} = 1 - \pi_{white} - \pi_{brown}$. Second, for each face, we randomly draw one of the three skin tones under the probabilities chosen before, and then populate the job profile using the photo of the assigned face and skin tone. This procedure yields two important features for the resulting variation in racial composition: It ensures that all possible values of white shares (0/6, 1/6, ..., 6/6) have the same probability of occurring, giving us equal power to identify preferences across the entire distribution of compositions.[4] Moreover, due to the separate randomizations, the racial composition of the team is expected to be uncorrelated with all other features of the team signaled through the faces, in particular its gender composition. We will test the success of the randomization in balance checks.

To provide more information on the team structure, in addition to the photos, we assign each team member to one of three job hierarchies. Specifically, each team has one manager, two specialists, and three assistants. Due to the randomizations, the face and skin tone of each team member are assigned independently of the job hierarchy.

4.2 Main Hypotheses and Specification

Based on the results from our analysis of realized job choices after exogenous changes in the socio-demographic coworker composition (Fietz and Schmeißer, 2024) and other existing evidence (Linos *et al.*, 2024; Wiswall and Zafar, 2018), we have the following hypotheses:

- H1: Workers have a positive WTP for working with same-race peers.

- H2: Non-white workers have a higher WTP for same-race peers than white workers.

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[4]The resulting expected values for the share of white, brown, and black team members, are 0.5, 0.25, and 0.25, respectively. The actual shares of the working population in Brazil are 0.54, 0.38, and 0.08 (Gerard *et al.*, 2021). Thus, we have more (less) power to identify preferences for higher shares of black (brown) team members than we would under the real shares.

- H3: Workers do not have a WTP for working with same-gender peers.

To test these hypotheses, we will start by estimating the WTP for the racial and gender coworker composition with a flexible functional form. Specifically, we will include in model (2) dummies for the exact share of brown, black, and female team members, and will estimate the model separately by the race (white/brown/black) and gender (male/female) of the respondent. The specification allows for non-linearities in the WTP across varying compositions (such as preferences for diversity, i.e. equal shares) and heterogeneity in the WTP across socio-demographic respondent groups.

Depending on the results of this flexible specification, we aim to estimate a more parsimonious main specification that summarizes the results. For example, if there are no strong non-linearities detected, we will just include a linear term for the racial and gender shares. Moreover, if the WTP does not differ strongly between the brown and black share (both relative to the white share), we will pool them together in a combined non-white share. These specifications would yield greater statistical power for the analysis of heterogeneities and mechanisms.

4.3 Heterogeneities and Mechanisms

To shed more light on workers' valuation of coworkers, we analyze several potential heterogeneities and mechanisms. First, we study the intersectionality of race and gender by testing for interactions between the racial and gender shares of team members and splitting respondents simultaneously by both dimensions. Second, we examine whether coworker preferences vary across job hierarchy levels by analyzing heterogeneity in the composition of managers, specialists, and assistants. Third, we plan to investigate whether the valuation of coworkers differs by other attributes of the hypothetical jobs, in particular by whether they signal more interactions with coworkers (teamwork, joint lunch, no working from home option). Fourth, we analyze mechanisms by studying heterogeneity in the valuation across respondents with different general racial attitudes, beliefs about the benefits of working with same-race peers, and experiences of racial discrimination and harassment at work (each of the question groups is elicited for 1/3 of the sample). Fifth, to investigate whether workers sort into jobs based on their coworker preferences, we will examine heterogeneity in the WTP across workers who currently hold jobs with different coworker compositions. Lastly, we will conduct explorative analyses of heterogeneity by other individual characteristics (e.g. current wage, importance of teamwork in current occupation, non-white share in state of residence). We do not commit to which of the results we will show in the main part of the paper and which will be put in an online appendix.

5 Preferences for Formality

5.1 Signaling Formality

To estimate the WTP for job formality, in four of the ten choices, respondents will choose between a formal and informal job. Formality is defined as employment that contains a signed work card ("Carteira Assinada"), which is a salient measure of formality that employees are

aware of. The signed work card signals that the job provides the complete bundle of formal employment benefits and obligations in Brazil.

To examine how information affects workers' valuation of formality, we randomly assign 50% of respondents to receive an information treatment that details both the benefits and costs of formal employment under CLT (Consolidação das Leis do Trabalho). On the benefits side, respondents learn about monetary advantages such as the 13th salary and vacation bonus, dismissal protections (advance notice period, unemployment insurance, and access to an individual savings account (FGTS)), and other protections like paid sick leave, work accident insurance, and retirement benefits. On the costs side, the treatment outlines both employee contributions (7.5-11% pension contributions and personal income tax for salaries above R\$ 2,259.20) and employer contributions (20% pension contributions, 8% FGTS contributions, 2% work accident insurance, and 6% for additional programs like education and agricultural funds). To account for potential order effects in information processing, we further randomize the sequence of information presentation: half of the treated respondents see the costs of formality first, followed by the benefits, while the other half see the benefits first, followed by the costs.

5.2 Main Hypotheses and Specification

Drawing on previous studies that measure workers' WTP for specific formality benefits in various contexts (Franco and Rodríguez-Valencia, 2023; Mahmud *et al.*, 2021), we have the following hypotheses:

- H1: Workers have a positive WTP for job formality.

- H2: Information about the benefits and costs of formality increases the WTP for formal jobs.

- H3: Workers who receive benefits information first (vs. costs first) will express a higher WTP for formality due to salience effects.

To estimate workers' WTP for formality (H1), we include a dummy variable indicating whether the job has a signed work card in the choice model specified in model (2). To examine how information affects this valuation (H2 and H3), we add an interaction term between the formality indicator and the respondent's information treatment status.

Additionally, we validate the effectiveness of our information treatment by analyzing responses to a set of knowledge questions about formal employment benefits and costs that we ask respondents after the choice experiment.

5.3 Heterogeneities and Mechanisms

To better understand workers' valuation of formality, we explore several potential heterogeneities and mechanisms. First, we study whether preferences differ between workers who currently have formal versus informal jobs.[5] This analysis sheds light on how direct experience with formality's benefits and costs shapes its valuation and whether workers sort into jobs based on their preferences. Second, we look at income-dependent variation in formality preferences. Due to potential

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[5]This heterogeneity requires that we have a sufficient number of informal workers in our sample.

disincentives towards formality due to implicit taxes of social assistance programs (Levy, 2008), workers at different wage levels may assign different values to formal benefits. Third, we investigate whether the valuation of formality differs by other attributes of the hypothetical jobs (teamwork, lunch with coworkers, flexibility regarding the schedule, working from home option). Especially flexibility in working hours and working from home options might alter preferences for formality, as informal arrangements are often mentioned in the context of greater flexibility – for example, for managing caregiving duties (Perry *et al.*, 2007). Fourth, we group employees based on which aspect of formality they consider most important: short-term benefits (salario familiar, abono salarial), long-term benefits (pensions), contingent benefits (unemployment insurance, individual savings account, accident insurance), or compliance with the legal framework. Lastly, we will conduct explorative analyses of heterogeneity by other individual characteristics (e.g. gender, age, family status, education, current occupation and tenure, formality rate in state of residence). Some of those dimensions (for example, a combination of tenure and age) allow us to calculate a proxy for being eligible for contributory pensions. We do not commit to which of the results we will show in the main part of the paper and which will be put in an online appendix.

Table 1: Job Attributes and Variations in the Choice Experiment

Attribute	Variations
Wage	$\theta_1 w$ and $\theta_2 w$, where:
	$\theta_1, \theta_2 \sim N(1, 0.1^2)$, truncated to [0.75, 1.25]
	w = respondent's current hourly wage
Team Composition	
6 photos of team members (1 manager, 2 specialists, 3 assistants)	
Face of photo	Randomly drawn without replacement
	out of pool with 60 male and 60 female photos
Skin tone of photo	Randomly drawn with probabilities:
	$\pi_{white} \sim U(0, 1)$
	$\pi_{brown} \sim U(0, \pi_{white})$
	$\pi_{black} = 1 - \pi_{white} - \pi_{brown}$
Non-Wage Attributes	
Formal work contract	With signed work card ("Carteira Assinada")
	Without signed work card ("Carteira Assinada")
Schedule flexibility	Employer determines schedule
	Employee controls schedule
Teamwork	Work mainly with others
	Work mainly alone
Lunch with coworkers	Frequently
	Occasionally
Working from home	Never permitted
	Up to 2 days per week
	Up to 5 days per week

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