

Abstract

This paper tests the incentive theory's prediction that pay that is less sensitive to performance attracts lower quality workers. I use a longitudinal dataset of individuals entering and exiting Israeli Kibbutzim to test whether and to what extent equal-sharing discourages participation of productive individuals. The findings provide evidence for negative selection in entry to the equal-sharing communities and positive selection in exit. Entrants were negatively selected in their pre-entry earnings compared to non-entrants. Individuals who left the equal-sharing communities were positively selected in their education and skills compared to stayers, and they earned higher wages upon exit. At the broader level, these findings provide the first micro-level empirical support for Borjas' hypothesis that migrants' self-selection depends on the difference in earnings inequality between the origin and the destination.

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