

Charitable donations on eBay

How do buyers respond to sellers who make charitable donations? The answer to this question may help corporations that are considering making donations in the hopes that their goodwill will increase the prices consumers are willing to pay for goods and services. Researchers Daniel Elfenbein, Raymond Fisman, and Brian McManus research the impact that charitable donations have on sales at the popular online auction site eBay.com in their working paper titled, “Reputation, Altruism, and the Benefits of Seller Charity in an Online Marketplace” (NBER Working Paper 15614, December 2009).

In 2003, eBay introduced its Giving Works (GW) program. The GW program allows eBay sellers to donate anywhere from 10 percent to 100 percent of the sale price of an item to a charity of the seller’s choice. The authors of the study analyzed data from over 150,000 auctions occurring between January 2005 and March 2008, and the study resulted in several interesting observations.

The researchers examined groups of products with nearly identical listings, the only difference between the listings being whether or not the sale of the product resulted in a contribution through GW. They found that, when 10 percent of the sale price went to charity, the probability that the item would sell increased by 6 percent and the sale price increased by 2 percent. Comparatively, when 100 percent of the sale price went to charity, the probability that the item would sell increased by 13

percent and the selling price increased by 6 percent.

The researchers also made the observation that donating through GW had a greater effect on sale probability and price for items sold by sellers who had lower feedback ratings. A seller’s feedback rating is based on buyer’s ratings from previous auctions and the number of transactions a seller has processed. The authors surmise that sellers with low feedback scores may acquire higher sales prices and have a higher sale probability when they donate to charity because a buyer may view the donation to GW as a signal of quality and/or reliability on the part of the seller. The question then became, Could participating in Giving Works be profitable for sellers who had a low feedback rating? The researchers found that, on average, a seller donating at the minimum 10 percent level would receive 6 percent less profit had he or she not participated in GW. In summary, the results of this study offer some insight into how consumers view companies that make charitable donations.

The labor market for teachers

As the baby boomer generation approaches retirement, there is concern that its departure from the labor force will cause a shortage of teachers in America’s schools. To combat this shortage, economists need to know how much additional compensation teachers will have to be paid in order for the demand for teachers to be met. Economists Daniel Aaronson and Katherine Meckel explore the labor market for teachers in their article, “How will baby boomer retirements affect teacher labor markets?” (Federal Reserve Bank of Chicago, *Economic*

Perspectives, fourth quarter 2009).

Using Census Bureau data from 1940 to 2000 and from 2003 to 2004, along with 2003–04 data from the National Center of Education Statistics, Aaronson and Meckel developed a model to estimate teacher turnover rates and the demand for teachers in the coming years. They forecast that new full-time hires from 2009 to 2020 would fall within the range of 2.3 million to 4.5 million teachers. The turnover rate for teachers varies considerably on the basis of a school’s location (urban or rural), racial composition, and free-lunch rate. However, turnover can be attributed to a number of factors, primarily retirement, quitting, and moving into a part-time teaching role. Retirement is listed as the reason for leaving in approximately 32 percent of cases.

Aaronson and Meckel find that, though there will be a rise in demand for teachers in the coming years, this increase will not be substantially different from the increase in demand of recent decades. Integrating all of the variables into their model, the researchers estimate that, in order for the demand for teachers to be met, the average annual increase in their pay would have to exceed the current average annual increase by approximately 0.8 percent. In other words, by the year 2020 teachers would need to be paid a 10 percent cumulative raise. Pay will especially need to increase for teachers in communities with a large percentage of low-income or minority students, because schools in these communities typically have more difficulty recruiting and retaining teachers. However, economists warn that, although increasing pay would cause the number of teachers in the market to rise, it would not necessarily improve the quality of the teachers replacing the retiring baby boomers. □