Won't You Hire Your Neighbor? Experimental Evidence on Small Firm Labor Consolidation

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Abstract :
The vast majority of microenterprises in low-income countries operate as single-person firms. Some of these firms are "innate entrepreneurs", seeking business expansion and facing severe constraints to growth, while operating alongside "necessity entrepreneurs" who run firms primarily for subsistence. Standard interventions have targeted capital or management, but recent work suggests that labor constraints may also present a critical barrier to growth. This project investigates horizontal consolidation as a path to scale: specifically, could randomizing wage subsidies for owner labor sharing experimentally induce firm labor consolidation? If so, for which firms? And what are the impacts? Drawing on a comprehensive firm listing in Aburi, Ghana, we conduct a field experiment where microenterprise owners within the same product category are randomly paired and offered randomized wage subsidies for peer labor sharing. This early-stage talk will introduce the project, focusing on the core motivation, experimental design, dyadic measurement strategies, and preliminary patterns from initial analysis.