

Efficiency Wages and Bargaining  
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#### Abstract

In this paper I argue that in contrast to results found in the literature to date the efficiency wage and the wage that solves a bargaining problem will often be independent. In many cases if the bargained is higher than the efficiency wage then efficiency wages are irrelevant. If the efficiency wage is greater than the bargained wage, bargaining is irrelevant. In support of the theory I provide empirical evidence that supervision effects which could be thought of as efficiency wages matter only for non-union workers, that is workers with low bargaining power. For workers with more bargaining power (unionised workers) there is a significant union wage premium but supervision wage affects are unimportant

Keywords: Efficiency wage, bargaining, supervision