Speaker: Professor Paul Pavlou, Fox School of Business, Temple University

Date: Friday, March 29, 2013

Time: 2-3:30 pm

Location: Room 1333

Title: Are Global Labor Markets Truly “Flat”? Global Frictions, Labor Arbitrage, and Reputation Signals in Online Markets

Abstract:

Visionaries conjecture that the world is becoming a level (“flat”) playing field due to the Internet that connects professional workers with employers anywhere around the world. To examine this “flat world” conjecture for global online labor markets for software development services, we analytically model and empirically examine the key factors that affect the dual aspects - pricing of professional service providers and their selection by clients (employers): (1) global frictions, (2) labor arbitrage and (3) reputation signals. We first model and derive the equilibrium pricing strategy of service providers via backward induction of a two-stage game (which includes the client’s selection of a service provider given the provider’s bid price), and we propose a set of hypotheses about the key factors that affect both the providers’ pricing and also their selection by clients. We empirically test our hypotheses with an integrated dataset formed by a random sample (473,970 price bids for 27,450 service projects) from an global online labor marketplace for software development services matched with multiple archival sources (e.g., purchasing power parity (PPP) across countries, language, time-zone, and cultural differences). The results from our econometric analyses show that when submitting their price bids, service providers take into account global frictions (particularly language differences), try to exploit labor arbitrage opportunities with labor low PPP countries, and take advantage of their own reputation signals. In turn, clients avoid global frictions (language, time zone, and cultural differences) and favor providers with strong reputation signals from high PPP countries. Interestingly, online labor markets are not truly level (“flat”) playing fields due to the proposed global frictions that are detrimental to both the service providers’ and clients’ surplus. We discuss theoretical and managerial implications for designing “flatter” global online labor markets.
Bio:

Paul A. Pavlou is a Professor of Management Information Systems, Marketing, and Strategic Management and a Stauffer Senior Research Fellow at the Fox School of Business at Temple University. He received his Ph.D. from the University of Southern California in 2004. Paul was ranked first in the world in publications in the two top MIS journals (MISQ and ISR) for 2010-2012. His work has been cited over 2,000 times by the Social Science Citation Index (SSCI) of the Institute of Scientific Information (ISI) and over 9,000 times by Google Scholar.

His research has appeared in MISQ, ISR, JMIS, JAIS, JAMS, CACM, and Decision Sciences, among others. His research focuses on e-commerce strategy, digital business strategy, and development of research methods. Paul won several Best Paper awards for his research, including the ISR Best Paper award in 2007, the 2006 IS Publication of the Year award, the Top 5 Papers award in Decision Sciences in 2006, the Runner-Up to the Best Paper award of the 2005 Academy of Management Conference, the Best Doctoral Dissertation award of the 2004 International Conference on Information Systems (ICIS), the Best Interactive Paper award of the 2002 Academy of Management Conference, and the Best Student Paper award and Best Paper Award of the Academy of Management Conference (OCIS Division) in 2001 and 2012, respectively.

Paul also won several Reviewer awards, including the 2009 Management Science Meritorious service award, the ‘Best Reviewer’ award of the 2005 Academy of Management Conference, and the 2003 MISQ ‘Reviewer of the Year’ award.

Paul is a Senior Editor at MISQ and JAIS. He is also a guest Senior Editor of a Special Issue of MISQ on “Digital Business Strategy.” Earlier he served as a guest Senior Editor of a Special Issue of MISQ titled “Novel Perspectives of Trust in Information Systems” that was published in June of 2010, and also as a guest Senior Editor of a Special Issue of JMIS on ‘Trust in Online Environments’ published in 2008.

At the Fox School of Business, Paul is the Director of Doctoral Programs. He is also the Research Director of the Institute for Business and Information Technology (IBIT). He also leads several initiatives, such as the Inter-disciplinary Young Scholars forum and the Distinguished Visiting Scholars program.