

Title: **I will be back. Labour supply of paua (abalone) divers in New Zealand.**

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Abstract: The interpretation of the neoclassical model of dynamic labor supply is straight forward. A rational agent exposed to a temporary increase (reduction) in wages will respond by increasing (reducing) working hours. However, empirically such behavior has been hard to confirm. Most income increases are not temporary; hence a substantial income effect confuses the responding behavior from such an agent. Equally, most workers cannot adjust their working hours on a daily, or even a weekly basis but have a pretty fixed working week of e.g. 40 hours in many OECD countries. Recently, Camerer et al. (1997) found that inexperienced New York cab drivers did not respond as predicted to wage increases, but according to the authors were guided by daily income targets and loss aversion which would explain the unpredicted behavior. Fisheries offer an example of job where workers are exposed to short term wage changes and at the same time have freedom to set their number of working hours. A better understanding of the micro economic behavior of fishers is necessary to managers aiming at regulating fisheries in a sustainable and efficient manner. In this paper we analyze three datasets on paua (abalone) divers in southern New Zealand between 2001 and 2006. These fishers face an inelastic export demand and at the same time vary their daily working hours. We find non-constant and significant wage elasticities, which have a significant impact on the common assumption of a one day time horizon.