

Lab for Economic Behaviour in Organisations

# THE LEO MAGAZINE



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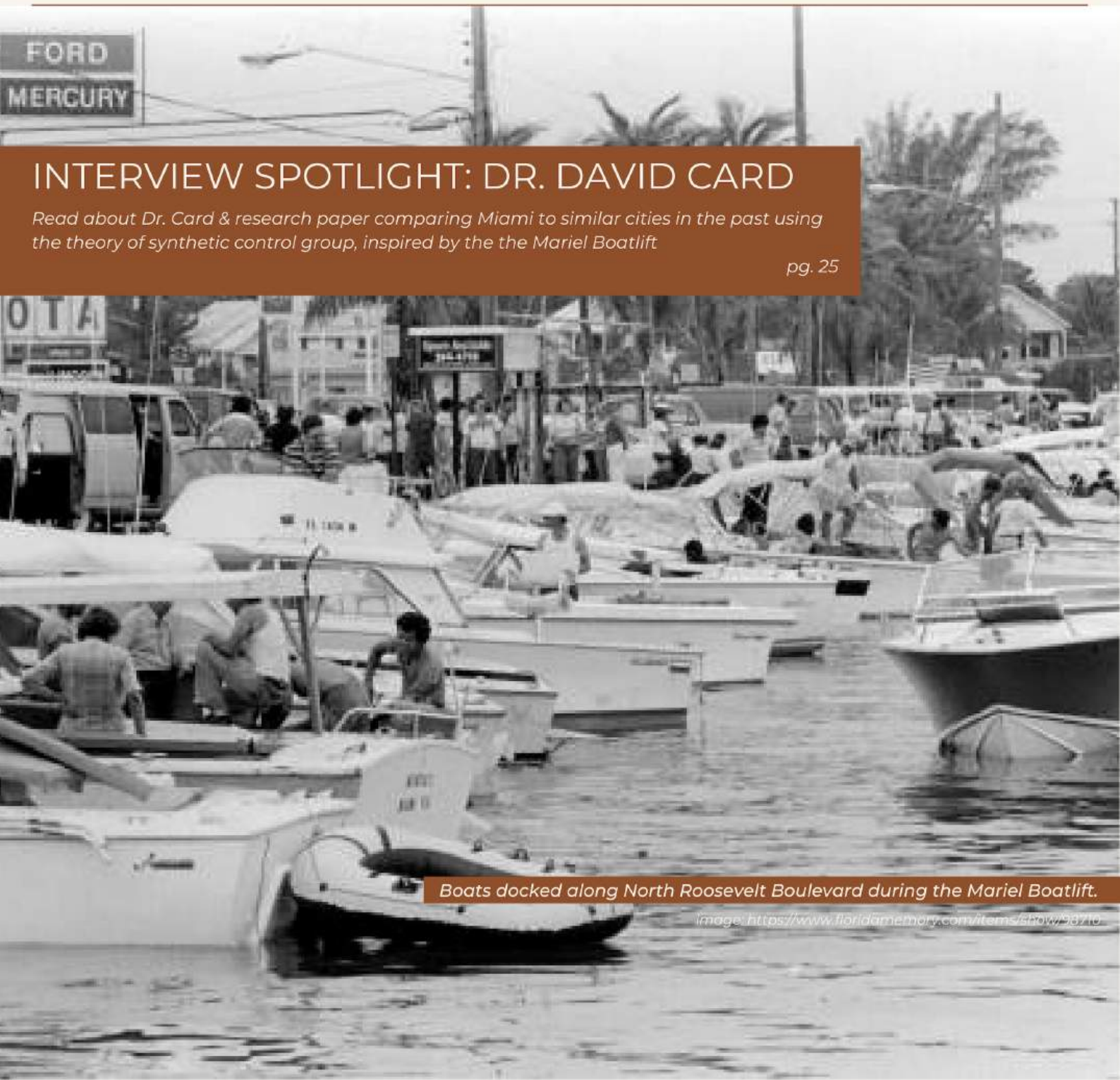
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## INTERVIEW SPOTLIGHT: DR. DAVID CARD

*Read about Dr. Card & research paper comparing Miami to similar cities in the past using the theory of synthetic control group, inspired by the the Mariel Boatlift*

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*Boats docked along North Roosevelt Boulevard during the Mariel Boatlift.*

*Image: <https://www.floridamemory.com/items/show/93710>*



Plaksha University

**LEO**



Lab for Economic Behaviour in Organisations

ABOUT THE MAGAZINE

## FROM THE EDITOR-IN-CHIEF

Dear readers,

Welcome to the inaugural issue of our economics publication from Plaksha University's Lab for Economic Behaviour in Organisations (LEO). In these pages, we invite you to embark on a journey exploring the influence of organisational processes on individuals and employees. Our purpose is to uncover the dynamics that shape people and institutions. We aim to shed light on the benefits, risks, and solutions for today's institutional challenges.

The arc of this journey leads you through the valuable insights from our director and then through Create Culture, highlighting the cultural framework of Plaksha University. Advancing through, we delve into a series of thought-provoking topics offering fresh perspectives and ideas to fuel your curiosity. Our roadmap ends at 'Interview Spotlight' featuring conversations with distinguished individuals who share their expertise and vision on economic and organisational issues.

We hope to foster an understanding of the insights these articles offer and anticipate that they spark your curiosity, stimulate meaningful discussions, and inspire further research and exploration in the realm of economic behaviour in organisations. By gaining a deeper understanding, we strive to contribute to the creation of a happier and dynamic workforce.

Thank you for joining us on this intellectual journey, Happy reading!

Sincerely,

Chaitanya Modi,

Editor-in-Chief,

*Plaksha Class of 2026*

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# PROF. PRAKARSH SINGH

## FROM THE DIRECTOR'S DESK

LEO is a new research laboratory at Plaksha University that stands for 'Lab for Economic behaviour in Organisations'. It has been set up to investigate through a social science lens issues pertaining to human resources in public and private organisations. It is integrated with Plaksha University's research labs and centers and is hosted at the University's Mohali campus. LEO's vision is to innovate in and learn from the latest scientific advances in the cutting-edge areas of personnel, behavioural, experimental and organisational economics to provide actionable insights for addressing the grand challenges of India and the world. The Lab is devoted to sharing answers to empirical questions around economic decisions in organisations and seeks to improve understanding of how economics can be combined with cross-disciplinary insights from inter alia psychology, sustainable development, public policy, management, marketing and political science.

LEO hosts Research seminars by leading researchers working in use of Incentives in organisations, Behavioural and Experimental Economics as well as contributing to the knowledge of Economic Behaviour in organisations through its working paper series that involve collaborations with leading scholars working in this area. It also hosts a Quarterly discussion series (Plakshanomics) with leading economists of the world and invites competitive applications for international research scholars to come for short visits to Plaksha University or apply for grants and to collaborate on research. Recently, we had a wide-ranging discussion with the 2021 Economics Nobel Prize winner, David Card, on his research in the field of Labor Economics (e.g. What is the impact of increasing minimum wages on employment? What is the effect of increasing immigration on wages?) He also gave suggestions to Plaksha on how to build a strong institutional culture around research. In another discussion, Oliver Vanden Eynde, Chaired Professor of Economics at the Paris School of Economics described his research to TLP students on The Economics of Conflict in India. His empirical work published in leading economics journals analyzes the fiscal incentives for attacks by Maoist rebels and thereby sheds light on the incentives prevailing in rebel organisations and how they vary geographically as well as over time. Two articles in this issue provide details of these discussions.

*Source: Brand and Communications team, Plaksha University*



*Organisational work within Plaksha*

**“What questions should a company ask during hiring?”**

**“How should talent be managed upward or outward within a firm?”**

**“How can firms foster innovation in hybrid teams?”**

**“How should performance be measured and compensated?”**

“These are existential questions that are faced by HR departments of universities, tech companies, social sector departments, NGOs and manufacturing firms. Nevertheless, science-based experimentation and empirical evidence have only started making inroads in the leading tech companies. Human resource theories that may have been applicable in the past now face increasing demands as they have to be re-written for a post-COVID work environment, increasing competition for highly skilled workers and increase in worker attrition due to issues pertaining to work-life balance, meaningfulness of jobs and inability to exercise voice in the workplace. The HR interventions will likely need to be targeted to each employee based on the journey and profile of the employee and after learning from experimentation. Moreover, the nature of meetings and work at most firms has become inter-disciplinary and trans-continental where a worker may be tasked with interacting with workers from diverse time zones, educational qualifications, and cultures. This implies that creating a unique cultural glue that an organisation wants to embody has become a challenge. [Stiroh \(2018\)](#) argues that “Cultural capital is analogous to physical capital, like equipment, buildings, and property, or to human capital, like the accumulated knowledge and skills of workers, or reputational capital, like franchise value or brand recognition...a firm must invest in cultural capital or it will deteriorate over time and adversely impact the firm’s productive capacity.”

We know from the work of Hofstede that some cultural attributes associated with workplace in India and say, the US are quite different. Hofstede conducted a comprehensive study of how values in the workplace are influenced by socio-cultural characteristics. According to him, culture can be defined as “the collective programming of the mind distinguishing the members of one group or category of people from others”. His framework focuses primarily on cultural dimensions. Each country is given a score ranging from 0 to 100, based on the tendency of its nationals to exhibit that behavioural trait.

A few salient dimensions are as follows: -

1. **Power Distance Index (PDI)**
2. **Individualism (IDV)**
3. **Uncertainty Avoidance (UAI)**
4. **Long Term Orientation (LTO)**
5. **Indulgence versus Restraint (IND)**



Let's compare the [Hofstede Index](#) for India versus USA -

**Power Distance Index (PDI) - 77 vs 40** | India scores higher than the USA on this dimension indicating a tendency to lean towards a top-down hierarchical approach to society and organisations. There is an acceptance of inferiority from the lower-ranked individuals in society, looking to those higher up in the organisations for direction and guidance. Real power is centralised even though it may not appear to be, and managers rely on the obedience of their team members.

**Individualism (IDV) - 48 vs 91** | India has a relatively low score in the following dimension as it leans more towards collectivism as a society. There is a preference for individuals to belong to a larger social framework and their actions are heavily influenced by family/co-workers/other affiliations. Hiring decisions are often made based on relationships, in comparison to the USA wherein they are made primarily based on merit or evidence of what one has done or can do.

**Uncertainty Avoidance (UAI) - 40 vs 48** | Both countries score low on this dimension. In India, there is an acceptance of imperfection and the tolerance for the unexpected is relatively high. People are seen to be quite adjusting and the rules put in place are often circumvented. In the USA there is a fair degree of acceptance for innovation and freedom of expression.

**Long Term Orientation (LTO) - 51 vs 26** | India scores higher than the USA on this dimension. In India there is an acceptance of different cultures and philosophies. In the USA there is a very strong idea of what is 'good' and 'evil'. In India, a changing game-plan is not shied away from and there is a general comfort in discovering the fated path as one goes along. American businesses measure their performance on a short-term basis which drives individuals to strive for quick results in the workplace.

**Indulgence versus Restraint (IVR) - 26 vs 68** | The relatively low score of India in this domain can be attributed to the fact that it is a society of Restraint. In contrast to an indulgent society like the USA, India does not put much effort on leisure time and people are expected to control the gratification of their desires.

# THROUGH THE LOOKING GLASS

## THE CREATE CULTURE

*Prof. Prakarsh Singh & Arman Ghosh (Class of '26)*

Institutions and organisations across the globe have a certain set of values they look for in the ideal employee to uphold. Google values 'Googleness', that is associated with positivity, sense of humour, respect and inclusivity, humbleness, conscientiousness, and ethics. Amazon has its Leadership Principles, such as, customer obsession, earn trust and bias for action. Netflix values selflessness, courage, inclusion, integrity, and curiosity. At Plaksha University, the founding faculty and leadership came up with a culture framework '**CREATE**' – a set of six core values expected to be cultivated in and upheld by all. The framework boils down to the following six cultural qualities – **Curious, Rigorous, Enterprising, Authentic, Thankful and Exemplary**. While Plaksha seeks bold, imaginative, and passionate thinkers with a thirst to step into the unknown, it is important for Plakshans to stay true to the heart of what it means to be human, thus enabling the creation of an ecosystem of fearless, kind leaders of the world.

To ensure the creation of such an ecosystem at Plaksha, one can design a streamlined hiring and recruitment process that can objectively understand the favourable qualities in individuals. The first step of this process is to design a comprehensive question-set that was geared towards gaining insight into the individuals and whether they fulfilled the desired requirements of the institution. To achieve this, we sought to conduct preliminary research on the hiring procedure of global leaders in the field of science and technology. We have started to surface these questions to students to evaluate their cultural fit, and what values are their superpowers and where they need growth.



*Pictures within the session*

One of us (Professor Singh) recently led a session on CREATE for Freshman BTech. class of 2027 where he spoke about the need to stay true to one's values and how authenticity encompasses academic integrity. He also created a pop quiz for students to showcase curiosity across disciplines. Finally, a survey for students asked them questions that would help understand the values more objectively. In terms of self-assessment, most students felt that Curiosity was their superpower but that they had the most to grow in becoming Enterprising.

Another aspect that was explored was that of Gamification of the Hiring Process. Economic/behavioural games have become a well-established tool in recent years for gauging social behaviours. Top companies such as Marriot, Deloitte and Google have been implementing 'gamification' in their recruitment processes for a variety of reasons. Gamification is the process of incentivizing people's engagement in non-game contexts and activities by using game-style mechanics. Economic games such as Risk-Aversion and Trust Games, allow for implementation with 'real' outcomes thus rendering choices truly consequential. In comparison to questionnaires or conversational interviews, reporting behaviour that is not aligned with one's true characteristics can be damaging and lead to an unfavourable fit. Most importantly, responses may be less prone to influences of social desirability.

The long-term vision at Plaksha is to automate this procedure by creating a training data set that uses Natural Language Processing (NLP) with the coded answers to assist in the hiring of staff/faculty, supplemented by behavioural and economic Games. Not only does this speed up the procedure but aims to design an objective approach to judge candidates, thereby eliminating human biases and subjectivity.

The newly established lab, LEO (Lab for Economic behaviour in Organisations) will facilitate research into the science of hiring in organisations and use economics with data science to help making insightful hiring decisions for institutions. This workstream promises to be helpful for boosting organisational productivity and reducing attrition.

### HEAR WHAT THE STUDENTS HAVE TO SPEAK:

*Professor Prakarsh's session was a journey through the CREATE philosophy: Curious in exploration, Rigorous in analysis, Enterprising in collaboration, Authentic in connections, Thankful in reflection, and Exemplary in visualization. It's a unique blend of economics and science, guided by curiosity and precision, where traditional boundaries are transcended. This captivating intersection of thought, creativity, and collaboration is how Professor Prakarsh's class looks like.*

*~Aman Jaiswal, UG'27*



# UNLOCKING POTENTIAL

## RETHINKING HIRING STRATEGIES IN HIGHER EDUCATION

*Tanushi Khandelwal (Class of '26)*

Personnel economics looks to tackle the optimization problem revolving around the management of human resources, typically in a firm or an industry. It touches on various aspects of the same, including but not limited to incentives, promotions and of course, entry and exit strategies as a resource. In the realm of higher education institutions, the recruitment of faculty carries a substantial responsibility, given that the calibre of an educational establishment is inherently tied to the competencies of its instructors and department faculty.

The process of hiring starts at the point where labour markets come together and there is a match for the workers & hiring companies. The 'black box' model of hiring recognizes that while the specific decision-making process within organisations may not be fully transparent, it provides a framework for studying the inputs and outputs of hiring decisions and their implications for organisations. (Paul and Scott, 2011). In the specific context of Plaksha University, adopting a well-balanced hiring strategy assumes paramount importance. To propel growth optimally, a judicious amalgamation of seasoned and early-career faculty members is advisable. However, it is essential to rethink the emphasis on stability in the current scenario. Plaksha would significantly benefit from a more audacious approach. Swift adaptability and the capacity for innovation should be prized attributes.



Source: Brand and Communications team, Plaksha University

*Interaction and discussion*

Discussions of hiring often begin with a desire to hire the right worker. In Lazear's classic paper, he introduces an equilibrium model that considers not only the skill level of potential employees but also the degree of riskiness associated with their productivity distribution. He argues that some employees may vary not just in their average productivity (first moment) but also in the degree of uncertainty or risk in their productivity (second moment). Lazear's model focuses on the matching process between firms and workers, specifically examining which firms are well-suited for hiring risky workers. He suggests that if firms have the ability to easily terminate workers whose productivity turns out to be below expectations and can earn higher profits with workers who have high realised productivity, then there is value in hiring risky workers. This value arises because there is an option for firms to replace underperforming risky workers and retain high-performing ones. (Lazear, 1998).

Risky employees gain option value when certain barriers to mobility, such as high turnover costs or exclusive employer-held information about worker abilities, are present. In simpler terms, if it is challenging or expensive for workers to change jobs, or if employers possess unique insights into worker capabilities not accessible to other firms, then risky employees become more valuable than safe workers at a given wage.

In equilibrium, wages adjust so that the marginal firm is indifferent between hiring risky and safe workers. Firms that expect to be in business for a longer period tend to value risky workers more because they have the potential to earn higher profits over time. On the other hand, firms facing high turnover costs or having low information barriers find it more attractive to hire safe workers.

Lazear's theory suggests that the suitability of a worker for a particular employer depends not only on the worker's skill level but also on characteristics of the firm itself, such as firing costs, expected firm lifespan, and the degree of private information held by the employer. Riskiness refers to the degree of uncertainty or variability associated with a worker's productivity. It represents the extent to which an employee's actual performance may deviate from their expected or average productivity level.

Lazear develops a theoretical model in which he shows (among other things) that (1) risky workers (workers with uncertain productivity) will be paid more than safe (certain) workers, (2) the longer the work life a risky worker has, the higher will be the risk premium received, and (3) in order for the firm to reap benefits of the upside potential from hiring a risky worker, the firm must have some competitive advantage (e.g., proprietary information or costs to worker mobility) over other firms. There exists empirical support for the theory developed by Lazear (1998) that predicts that workers who are risky (i.e., performance is uncertain) will be paid more than workers who have the same average performance yet are more predictable in their output. The reason for this is that firms are willing to pay for the potential upside of the variable performance of the risky worker under conditions that allow them to recoup the benefits of the better performance. (Bollinger and Hotchkiss, 2003)

Source: Brand and Communications team, Plaksha University



*Founding faculty and management of Plaksha*

Research in the past has also found strong relations between hiring and incentives. An article examines the impact of career-oriented incentives on hiring practices in community-based public service delivery. The study investigates whether attracting ambitious individuals through civil service positions positively affects service quality. Results indicate that career-focused recruitment increased impact and productivity, but it also revealed a trade-off between talent and prosocial behaviour. While ambitious candidates were drawn by career prospects, lower-ability individuals displayed lower prosociality. The study stresses the importance of both sorting and selection in recruitment, highlighting that effective selection mechanisms can counter concerns of crowding out prosocial candidates. The findings have implications for sectors with social impact, where selection panels possess adequate information. Tailoring job design to attract star performers is advantageous, avoiding barriers to entry and promoting public service delivery. The insights support the idea that career-oriented incentives improve productivity and social welfare. (Ashraf et al., 2020)

In the transformative journey that Plaksha as an institution has signed up for, it's prudent to champion faculty development and foster interdisciplinary collaborations. This approach capacitates Plaksha to be agile in accommodating evolving educational requisites. Flexibility emerges as a central tenet of this strategy, harmonizing with the ever-evolving mission of the university and the dynamic landscape it operates within. Ultimately, this mélange of strategies lays the bedrock for a robust academic foundation, vital for Plaksha's enduring success.

By acknowledging the nuances of risk-taking and stability in hiring decisions, firms can build agile, innovative, and resilient workforces. Conclusively, the equilibrium model presented here marks a crucial step forward in optimizing human resource management strategies and advancing the growth and prosperity of industries and institutions alike.

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# PULSE PERCEPTIONS

## HARNESSING THE POWER OF SURVEYS IN ORGANIZATIONS

*Prof. Prakarsh Singh & Vijeta Raghuvanshi (Class of '26)*

### **Introduction:**

In today's dynamic workplace, organisations should strive to stay connected with their employees and continuously improve the employee experience. To effectively "take the pulse" of an organisation or specific groups within it, pulse surveys have emerged as valuable tools for gathering real-time feedback, gauging progress, identifying potential concerns, and creating timely interventions. Pulse surveys can also serve as powerful tools for tracking the impact of organisational initiatives, interventions, or changes. They occur at regular or planned intervals, with the aim to assess factors that could impact productivity, collaboration, and well-being of employees.

By conducting pulse surveys, organisations can unlock several benefits. Firstly, they gain valuable insights into the factors that influence employee satisfaction and engagement. These insights provide a foundation for informed decision-making and targeted interventions aimed at improving the employee experience. Moreover, pulse surveys enable organisations to detect emerging trends and potential concerns early on, allowing for timely action and mitigation. By understanding employee perspectives, organisations can proactively address issues, foster a positive work environment, and enhance overall job satisfaction. Employee recognition holds significant value in fostering a positive work culture, enhancing employee engagement, and driving organisational success. However, despite the efforts made by many companies, a recent study conducted by Harvard Business Review (HBR) reveals a concerning reality: a considerable number of employees report feeling unrecognized for their contributions over extended periods. This lack of recognition and disengagement can have a profound impact on productivity and employee retention. A mere 19 percent of employees consider themselves "very engaged" (HBR, 2023).

The findings from HBR emphasize the critical role of social recognition in energizing employees. The study reveals that 40 percent of employees would be more motivated and invest greater energy in their work if they received social recognition on a more frequent basis (HBR, 2023). Surprisingly, over 80 percent of employees express a lack of recognition or rewards for their efforts, indicating a significant gap between employee expectations and the current state of recognition practices (HBR, 2023). Conducting pulse surveys demonstrates a commitment to employee engagement and open communication within the organisation. When employees feel that their opinions and experiences are valued, it can positively impact their job satisfaction and organisational loyalty. Pulse surveys provide a platform for employees to share their thoughts and concerns, fostering a sense of empowerment and involvement.

## RESEARCHER'S NOTES: PULSE PERCEPTIONS

Job satisfaction encompasses personal contentment with work, performance, and fulfilling work relationships. The concept is shaped by six pivotal work dimensions: intrinsic motivation, convenience, financial factors, co-worker relationships, career potential, and resource accessibility (Kalleberg, American Sociological Review, 2019). The intrinsic dimension relates to the task itself, encompassing factors such as interest, skill utilization, autonomy, and seeing tangible results. The convenience dimension includes external factors like commuting, working hours, and pleasant surroundings. The financial dimension focuses on aspects such as pay, benefits, and job security. Relationships with co-workers constitute another dimension, highlighting the importance of social satisfaction at work. The career opportunities dimension considers promotion prospects and fair advancement, while resource adequacy examines the availability of necessary resources for job performance. These dimensions provide valuable insights into workers' preferences and the factors that contribute to job satisfaction.

Aligning with the research findings the pulse survey has been divided into six categories:

### **Inclusivity:**

An inclusive workplace is characterized by creating a sense of value and appreciation for every employee, while also recognizing and respecting their unique differences. This section aims to evaluate the extent to which employees feel included within their teams and the overall workplace. It assesses whether their skills are effectively utilized and if their perspectives contribute to decision-making processes. The Gartner Inclusion Index gauges inclusivity through fair recognition for contributions, respect for differing opinions, unbiased idea consideration, psychological safety, transparent communication, a sense of care, and managerial diversity mirroring the workforce.

Source: Brand and Communications team, Plaksha University



*Diversity within Plaksha*

### **Compensation and Benefits:**

It refers to the salary and other forms of monetary and non-monetary rewards provided by a company to its employees. It aims to measure the extent to which employees feel fairly rewarded for their work and if the provided compensation aligns with industry standards and their expectations. Additionally, this section examines the effectiveness of non-monetary benefits and perks in enhancing employee motivation, engagement, and overall job satisfaction. According to LEVER, 46% of workers consider salary or bonuses as the greatest motivator for staying at their current company. David Novak's research from Harvard University suggests that a mere \$1 per hour pay increase can result in a 2.8% rise in retention rates, highlighting the profound effect of compensation on fostering employee loyalty (Novak, Harvard University). Conversely, a \$1 per hour pay decrease can result in a significant 28% increase in turnover. These findings highlight the strong link between compensation and employee retention.

### **Belongingness:**

An accumulation of day-to-day experiences that enable a person to feel safe and bring their full, unique self to work. The purpose of this section is to gauge the sense of belonging and inclusion that employees experience within the organisation. It aims to assess the level of connection to the organisation's values and mission, the extent to which employees feel their work is recognized and valued, their perceived effort and dedication towards their work, and their satisfaction with the level of autonomy and decision-making authority they have. One anonymous worker in the United Kingdom lamented, "I get paid well to do something I enjoy, and...[I'm] surrounded by clever, funny, like-minded people. And for 45 or 50 hours every week, I feel isolated." According to Harvard Business Review, if workers feel like they belong, companies reap substantial bottom-line benefits. High belonging was linked to a whopping 56% increase in job performance, a 50% drop in turnover risk, and a 75% reduction in sick days. For a 10,000-person company, this would result in annual savings of more than \$52M.

### **Job Engagement:**

Job satisfaction refers to the level of contentment and fulfillment employees experience in their current job roles within an organisation. The purpose of this section is to evaluate employees' overall job satisfaction, their perception of success in their current role, their willingness to recommend the organisation to others, and their openness to exploring new job opportunities. The aim is to gather insights on employees' level of satisfaction, engagement, and commitment to their current job, enabling the organisation to identify areas of strength and areas for improvement to enhance employee satisfaction and retention. High job satisfaction is also linked to performance, which in turn is linked to higher profits. Those employees who feel happy and content in their roles are much more likely to approach the tasks that they need to carry out with enthusiasm and dedication.

### **Work and Personal Life:**

Work and personal life refer to the balance and integration of professional responsibilities and personal commitments and well-being. The purpose of this section is to evaluate the impact of work commitments on employees' personal lives and relationships, their ability to maintain boundaries between work and personal time, the frequency of work-related intrusions into personal life, and their perception of the organisation's support for work-life balance and employee well-being. Work-life balance is essential in today's workforce as identified by Klun (2008) who states that Generations X and Y are driving companies to develop flexible and innovative options that give employees more control in managing the demands of work and family. This concept is relevant to all individuals, not just those with families, as Guest (2002) asserts and emphasizes the domains of work and "the rest of life". The research on work-life balance has gained momentum due to Generation X's emphasis on seeking a balance between work and the rest of life (Guest, 2002).

### Processes and Decision Mechanisms:

A process of establishing and arranging clear ways to work together and get things done. The "Processes and Decision Mechanisms" section evaluates the fairness and effectiveness of organisational processes, including hiring, promotion, and course funding. It assesses transparency, equal opportunities, and alignment with organisational values. The section also examines communication channels to ensure efficient information flow for work tasks. Its purpose is to ensure equitable and transparent decision-making within the organisation. Frequent and productive communication enhances member satisfaction, participation, interaction, resource mobilization, and implementation (Kegler, Steckler, McLeroy, & Malek, 1998; Parker et al., 1998). In addition, other operating principles and procedures that guide a collaborative group can promote a feeling of ownership about decisions and outcomes (Mattessich & Monsey, 1992) and promote a level of inclusion that is critical for maintaining diversity and mutual respect (Foster-Fishman, Berkowitz, Lounsbury, Jacobson, & Allen, 2001; Israel, Schulz, Parker, & Becker, 1998; Parker et al., 1998). In complex environments such as organisations, a competent decision-maker requires a variety of cognitive skills to continuously search for information to improve work performance (Bandura and Jourden, 1991). This process involves developing, comparing, and mastering choices while at the same time dealing with cognitive limitations, heuristics and biases, and individual inclinations that can impair the accomplishment of task targets (Byrnes et al., 1999). Mechanisms and procedures are crucial for any organisation. They determine the level of authority, leadership, and employee engagement, ultimately shaping decision-making processes. Without such mechanisms, groups lack the necessary "social capital," which refers to the relationships that facilitate the flow of resources and enable collective progress. In essence, these mechanisms lay the foundation for effective collaboration and collective advancement within an organisation.

Source: Brand and Communications team, Plaksha University



*Active discussion with the Vice Chancellor*

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# INSPIRE TO EXCEL

## THE INTERPLAY OF PERFORMANCE INCENTIVES AND MOTIVATION

*Chaitanya Modi (Class of '26)*

The literature on Personnel economics, though new, has insightful results in both empirical and theoretical aspects. With the abundance of data that the internet possesses on the topic, we can recognise data patterns and understand their relevance and importance to us at Plaksha. The research in this field allows us to address various open-ended questions for supplementary research in the future. Moreover, it also helps us understand the extent and sort of data that we should collect to understand, study and resolve some aspects of these questions.

### **Empirical Results:**

#### Evidence for the positive effects of Performance Incentives:

Research examining the relationship between pay-for-performance systems and organisational outcomes has found that organisations with such systems tend to display higher levels of profitability and overall performance (Robescu and Iancu, 2016). These systems help create a performance-driven culture where employees are rewarded for contributing to the organisation's success. A study examining the effects of the shift from a fixed hourly wage rate to a piece pay rate in Safelite Auto Glass Company showed increased productivity by 44% (Lazear, 2018). Thus, performance incentives positively influence employee motivation and performance. However, this may only be true for less intrinsically motivated workers.

Research shows that extrinsic incentives can produce a crowding-out of motivation, which may negatively impact the performance of employees (Coccia, 2019). While some employees are externally driven towards financial incentives, some prefer non-financial incentives. Financial incentives include stock options, raises, commissions, profit sharing, etc. These play a significant role in stimulating employees to produce higher productivity. Non-financial incentives also help motivate people by building intrinsic psychological needs to accomplish tasks. They come in the form of verbal and written acknowledgement (Robescu and Iancu, 2016) and appreciation, badges and positions such as 'employee of the month', employee decision-making, opportunities for skill development, and many more.

Both incentives positively impact employee engagement, job satisfaction, and overall performance (Lucifora, 2022). Designing incentive systems that align with organisational goals and individual capabilities (Saueremann, 2016; Ashraf, Bandiera and Lee, forthcoming) suggests looking for the most suitable incentive program that proves effective in the long term as well as the short term may be cost-heavy but crucial for the highest productivity results. Incentive structures that include clear, measurable, and challenging performance criteria lead to better outcomes than vague systems (Saueremann, 2023). Research has also shown that the perception of fairness in the allocation of incentives strongly influences employee satisfaction and commitment to the organisation (Benson, Li and Shue, 2018). Employees who perceive the incentive system as fair are more likely to be motivated and satisfied with their jobs and hence create greater productivity (Benson, Li and Shue, 2018).

### **Limitations of Performance Incentives:**

**Overemphasis on the short-term:** Studies indicate that short-term performance incentives may lead to immediate improvements in productivity and performance. Employees are motivated to achieve short-term goals and receive immediate rewards. However, a focus solely on short-term gains can sometimes lead to neglecting long-term organisational sustainability and innovation (Cohodes, Eren and Ozturk, 2023). Employees might prioritize quick wins over long-term strategic objectives, and this short-sighted approach can hinder the organisation's ability to adapt and thrive in the future (long term). Moreover, not every incentive designed for the short term may work the same in the long run. Balanced incentive systems that consider both short-term and long-term objectives yield (or, are likely to) better results.

Studies have explored the relationship between the size of incentives and employee performance (Collins et al., 2000). While more enormous incentives can increase motivation, there is a point of diminishing returns (Holst-Hansen and Bergenholtz, 2020). Beyond a certain level, further increases in incentives may not proportionally improve performance and can even lead to negative consequences, such as unethical behaviour or excessive risk-taking.

**Discouragement of Creativity:** Narrowly focused incentives tied to specific performance metrics may mistakenly discourage creativity and risk-taking. Employees may avoid activities or projects that are not directly incentivised, limiting their exploration of innovative ideas and breakthroughs. Incentive systems that encourage exploration, learning, and experimentation are more likely to encourage creativity and innovation. Non-financial incentives, such as granting time for personal projects or providing opportunities for collaboration, can complement traditional performance incentives to support a culture of creativity (Ilyana and Sholihin, 2021). For example, a teacher offering incentives based on the final grades of students may be incentivized to 'teach to the test' rather than spur curiosity and creativity among her students.

**Crowding-out of intrinsic motivation:** Intrinsic motivation stems from internal factors, such as personal enjoyment and fulfilment, while extrinsic motivation is driven by external rewards, like financial compensation or recognition (Frey, 1994). Financial incentives are great extrinsic motivators, encouraging employees to work harder to earn bonuses or achieve performance targets (Robescu and Iancu, 2016). However, intrinsic motivation is equally essential, since it promotes employee engagement and creativity.

**Crowding-out of intrinsic motivation:** Intrinsic motivation stems from internal factors, such as personal enjoyment and fulfilment, while extrinsic motivation is driven by external rewards, like financial compensation or recognition (Frey, 1994). Financial incentives are great extrinsic motivators, encouraging employees to work harder to earn bonuses or achieve performance targets (Robescu and Iancu, 2016). However, intrinsic motivation is equally essential, since it promotes employee engagement and creativity. Non-financial incentives, such as providing opportunities for personal development, granting autonomy in decision-making, or creating a supportive work environment, tap into employees' intrinsic needs and can enhance their overall motivation and job satisfaction. An overreliance on external rewards can 'crowd out' employees' intrinsic motivation, the drive to engage in activities for personal rewards, such as enjoyment, personal growth, or a sense of purpose. Overreliance leads to a change in perception of their work as primarily a means to attain only those rewards, taking away the focus on personal rewards. This results in a decline in their intrinsic motivation and interest in the work, leading to reduced overall performance and creativity (Coccia, 2019),(Frey, 1994).

**Gamification:** Incentives can lead to gamification. Agents may engage in opportunistic behaviour in response to incentives to attain rewards through tactics that may not align with the long-term objectives of the organisation (Nyström, 2021). This could vary from suboptimal effort to plain cheating. This inclination toward short-term gains could lead to a distortion in effort allocation, diverting attention away from economically optimal strategies that would otherwise contribute to the firm's overall efficiency and productivity. Moreover, gamified systems that foster intense competition might unintentionally diminish cooperation and knowledge sharing among employees (Nyström, 2021), resulting in a suboptimal allocation of resources and potential reductions in the firm's overall performance. A study reveals that over 50% of organisations managing innovation processes will gamify aspects of their business (Hamari, Koivisto and Sarsa, 2014). To safeguard the effectiveness of gamification, it becomes imperative for organisations to establish well-defined rules, transparent metrics, and a solid ethical foundation that encourages alignment with the firm's long-term objectives while mitigating the risks of suboptimal behaviour.

**Multitasking:** Multitasking is the practice of being awarded or motivated to perform multiple tasks and objectives. The impact of multitasking on performance incentives in organisations is multifaceted. On one hand, employees who excel at multitasking are perceived as more efficient and productive (Columbia Business School, USA and Bartel, 2017), leading to increased recognition and rewards for their ability to handle multiple tasks simultaneously. Such employees might also be valued for their adaptability and flexibility. On the other hand, divided attention may result in a reduced focus on critical tasks (Sliwka, 2020), leading to lower-quality work and potentially missed opportunities. Incentives might turn tasks into 'games' in order to maximise rewards. When tasks are difficult to measure, priorities are given to tasks that are easily measurable (Columbia Business School, USA and Bartel, 2017). Striking a balance between promoting multitasking when appropriate and ensuring that it doesn't compromise the quality of work is crucial for optimizing the impact of multitasking on performance incentives in organisations. Providing appropriate training and monitoring employee performance can help in achieving this balance (Columbia Business School, USA and Bartel, 2017).

**Psychological Impact:** Each individual's capacity and capability differs in a given work environment. Since performance incentives may foster higher productivity and efficiency, it has been observed that employees tend to push their mental boundaries to an unhealthy extent to meet self-expectations and others' expectations. Though the impact is not prominent in the short run, in the long run, however, productivity and outcome performance may diminish (Lucifora, 2022). Moreover, in case psychological expectations are not met, it may induce a feeling of worthlessness among employees. Therefore, performance incentives should be designed to not adversely impact the workers' mental health negatively.

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# UNRAVELLING THE MALNUTRITION PUZZLE

## EXPLORING DETERMINANTS AND IMPLICATIONS IN INDIA

*Sakarath Brar (Class of '26)*

As of 2021, India continues to grapple with the daunting challenge of childhood malnutrition with 31.5% of children under the age of 5 underweight, 35.5% stunted and 18.7% wasted (NFHS-5, 2019-21). Going back roughly 30 years, the disease burden due to child and maternal malnutrition has dropped in India substantially since 1992 (As per NFHS-1, in 1992, 51.3% of children under the age of 5 underweight, 57.1% stunted and 19.8% wasted). Nevertheless, it is still the single largest risk factor, responsible for 15% of the total disease burden in India in 2016. This burden is highest in the major EAG states and Assam and is higher in females than in males (ICMR et al., 2017).

As a stark contrast, prevalence of percentage of wasted children under the age of 5 in India increased from 5 times that of China in 1992 to 9.1 in 2017 and stunting increased from 1.5 times that of China to 7.2 times, when compared using World Bank database. The disease burden due to child and maternal malnutrition in India was 12 times higher per person than in China in 2016. Kerala had the lowest burden due to this risk among the Indian states, but even this was 2.7 times higher per person than in China (ICMR et al., 2017).

The gravity of these malnutrition rates demands immediate attention, as they exact a heavy toll on both human well-being and economic progress. Child and maternal malnutrition contribute to disease burden mainly through increasing the risk of neonatal disorders, nutritional deficiencies, diarrhoeal diseases, lower respiratory infections, and other common infections. Undernutrition in the aggregate—including foetal growth restriction, stunting, wasting, and deficiencies of vitamin A and zinc along with suboptimum breastfeeding—is a cause of 3.1 million child deaths annually or 45% of all child deaths in 2011 (Black et al., 2013). Asia and Africa lose 11% of GNP every year owing to poor nutrition (MoHFW et al., 2019). A global review on child stunting and economic outcomes revealed a 1 cm increase in height was associated with a 4% increase in wages for men and a 6% increase in wages for women (McGovern et al., 2017). Such evidence underscores the importance of dealing with malnutrition and makes it imperative to delve deeper into the determinants or causes of it.

### **Theoretical results:**

Inadequate dietary intake and disease are the most significant immediate causes of malnutrition. In most cases, malnutrition is the combined result of inadequate dietary intake and disease (UNICEF, 1991). Multilevel regression analysis of consumption data from three rounds of the Consumer Expenditure Survey of the National Sample Survey Organisation (1993–2012) and nutritional status of children from NFHS 2005-6 indicate that dietary diversity has increased in India over time, and that dietary diversity at the state level is significantly associated with the nutritional status of children (Borkotoky et al., 2018), (Corsi et al., 2016).



Image source: UNICEF

However, the impact of malnutrition extends beyond dietary factors alone. Household income and poverty play a decisive role in the prevalence of malnutrition, with vulnerable populations, particularly the poor, bearing a disproportionately heavy burden (Mazumdar, 2010), (Striessnig & Bora, 2020), (Katoch, 2022). Among popular literature, in addition to the aforementioned factors of malnutrition, maternal factors perhaps have been established the most with mother's height and weight or BMI (Corsi et al., 2016) and education (Striessnig & Bora, 2020), (Katoch, 2022) being the most repeated. Furthermore, the quality of education matters as well. Notably, maternal education, coupled with nutritional knowledge, equips mothers to make informed decisions about their children's well-being (Glewwe, 1999). Tragically, as of 2020, almost half (48.2%) of young females in India are deprived of primary education, accentuating the urgency of addressing this educational gap (UNESCO Institute for Statistics, accessed 2022). These maternal factors are especially associated with increasing the risk of having low birth weight children (Zaveri et al., 2020), (Girotra et al., 2023) who are in turn at more risk of facing malnutrition (Striessnig & Bora, 2020).

The "Asian Enigma" poses a puzzling paradox as despite higher income in India as compared to Africa, Indian children are much shorter than African children. As per the world bank database, for 2022, GDP per capita of Sub-Saharan Africa was 1690.4 USD and of India was 2388.6 USD.

Sanitation practices, open defecation in particular (Singh et al., 2020), which is exceptionally widespread in India (22.4% rural population and 1% urban population practices open defecation as of 2020 (washdata.org)), has profound impact on malnutrition. According to Dean Spears, open defecation density can statistically account for much or all of the average height-for-age difference between India and Africa, in the sense that children in India are projected to be taller by at least as much as the gap, if counterfactually exposed to the African distribution of open defecation density (Spears, 2020). Another explanation for the excessive stunting in India is the preference for a healthy male heir provided by Rohini Pande and Seema Jayachandran. They discovered that Indian firstborn sons actually have a height advantage over African firstborn sons, and the height disadvantage appears first in second-born children, increasing for subsequent births. This suggests that a preference for a healthy male heir influences fertility decisions and how parents allocate resources between their children (Jayachandran & Pandey, 2015).

**Empirical results:**

The National Family Health Survey (2019-21) data on malnutrition presents intriguing insights into the well-being of Indian children under the age of 5. Analysing the mean of standard deviations of weight for age (Figure 1), weight for height (Figure 2), and height for age (Figure 3) for all states against Gross Domestic Product per capita at constant prices for 2018-19, sourced from The Ministry of Statistics and Programme Implementation, reveals a general positive correlation between income and malnutrition levels.

Through regression analysis, it is found that income and population alone can explain approximately 24% of the variation in height for age, 33% in weight for age, and 29% in weight for height among Indian children under 5.

Interestingly, Jammu and Kashmir, Manipur, Arunachal Pradesh, and Mizoram stand out as outliers in the figures. Despite having lower income levels compared to other states, they exhibit better malnutrition outcomes.

Erich Striessnig and Jayanta Kumar Bora's principal component analysis (PCA) on the demographic and socio-economic determinants of childhood morbidity supports these findings. Their research shows that the north-eastern Indian districts with improved malnutrition levels are characterized by higher proportions of the population belonging to scheduled castes or tribes, a higher proportion of children ranking fourth or higher in the birth order, and a higher proportion of households with modern toilet facilities, which create more conducive conditions for healthy child development. In contrast, districts with low birth intervals, incomplete vaccination of children, inadequate water supply, and mothers with low BMI are underrepresented in these states.

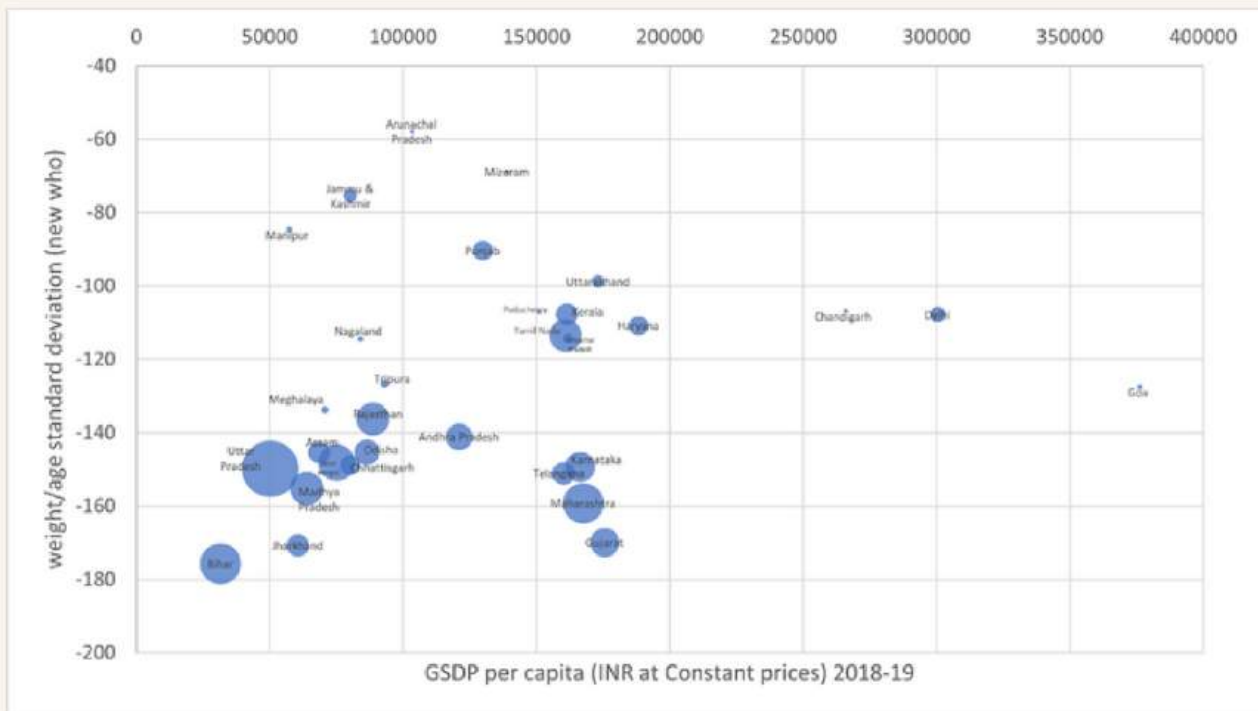


Figure 1 : Weight for age standard deviation (2019-21) against GSDP per capita at constant prices in INR (2018-19). Size of bubble represents population of state (2019).



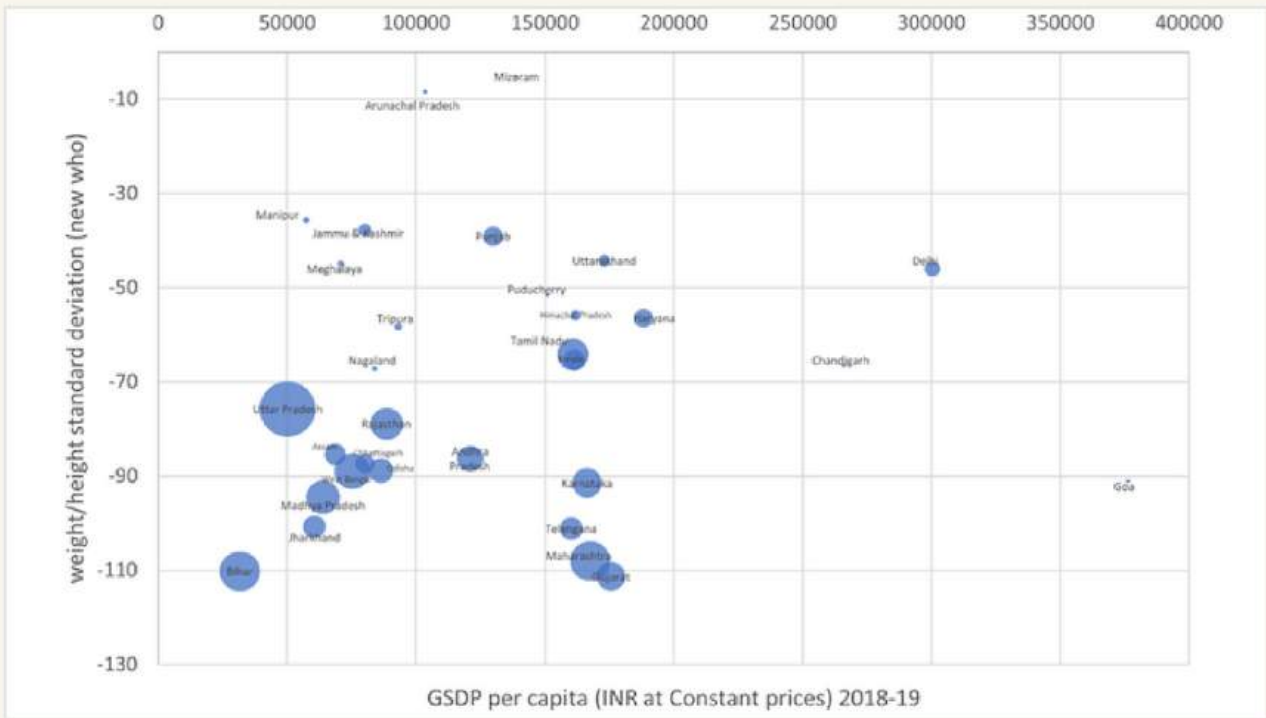


Figure 2 : Weight for height standard deviation (2019-21) against GDP per capita at constant prices in INR (2018-19). Size of bubble represents population of state (2019).

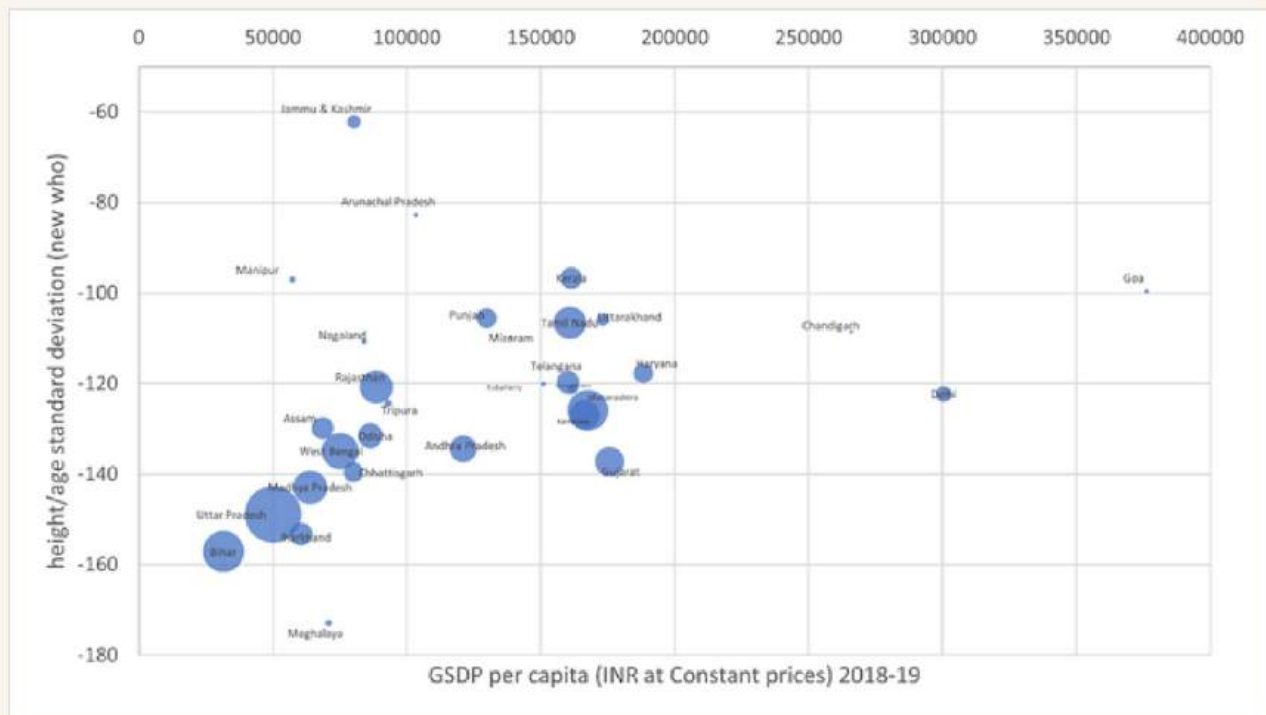


Figure 3 : Height for age standard deviation (2019-21) against GDP per capita at constant prices in INR (2018-19). Size of bubble represents population of state (2019).

### Conclusion:

Effectively addressing malnutrition necessitates a multi-sectoral approach that encompasses interventions targeting inadequate dietary intake, dietary diversity, poverty alleviation, maternal health and education, and improved sanitation practices. Understanding the underlying determinants of malnutrition will pave the way for targeted and evidence-based strategies, ultimately fostering social and economic development in India. By prioritizing the fight against malnutrition, India can unlock its full potential and pave the way for a healthier and more prosperous future for its children.



Image source: Cry.org

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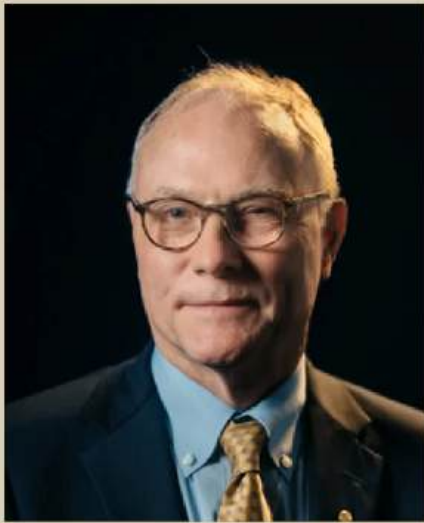
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# INTERVIEW SPOTLIGHT

## DR. DAVID CARD

"EXPLORING RESEARCH, COLLABORATION, AND INSTITUTION BUILDING: A CONVERSATION WITH NOBEL LAUREATE DR. DAVID CARD"

### About Dr. David Card



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David Card, born in 1956 in Guelph, Canada, was awarded the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel in 2021. He was affiliated with the University of California, Berkeley, CA, USA, at the time of the award. Card received the prize for his significant empirical contributions to labor economics. His work involves investigating cause-and-effect relationships in the social sciences, often utilizing natural experiments. Through his research, Card examined the impact of minimum wage policies, immigration, and education on the labor market. His findings challenged prior beliefs, revealing that increasing the minimum wage does not necessarily result in fewer jobs, reshaping our understanding of these critical economic dynamics.

The interview was conducted by Dr. Prakarsh Singh, Chair Professor of Economics at Plaksha University. The discussion procedure was divided into four categories -- student research, faculty research, industry collaboration and institution building.

#### Student Research:

Referring to the 1989 Mariel Boatlift Paper, Prof Singh asked Dr Card. "What can undergraduate students do to become good researchers and devise ideas?"

During his tenure as a faculty member at Princeton, Dr. Card shared his experience with certain institutional practices, wherein, students were required to write papers during their junior and senior years, known as junior papers and senior thesis, respectively. While working on the impact of immigration on job opportunities for less educated natives and minority groups, a student named Constantin Alex approached him about the Mariel Boatlift. Despite the challenges in obtaining micro-level data, they collaborated on the student's junior paper. Later, Dr. Card explored further and wrote a research paper comparing Miami to similar cities in the past using the theory of synthetic control group.

Dr. Card advised undergraduate students to ask elementary questions, such as why income disparities exist within families or why some friends perform better in education than others. He emphasized the need for empirical evidence to determine whether better education leads to better choices, questioning if it's causal or merely a superstition. He highlighted the misconception about inflation and unemployment in the past and encouraged students to start with basic questions and challenge norms while reading specialists' writings in their fields to foster student research and curiosity.

### **Faculty Research:**

Dr. Singh asked Dr. Card about his experiences with junior faculty members and sought advice. He also inquired about Dr. Card's research motivation, sources of inspiration, and idea generation. Additionally, Dr. Singh discussed the prevailing emphasis on publishing in high-impact journals and how some junior faculty members may strategize to navigate this competitive landscape. He asked for Dr. Card's viewpoint on this matter, particularly from the perspective of labour economics.

Dr. Card provided an example of a fundamental notion of causality, pondering whether one phenomenon genuinely causes another. He passionately conveyed his enthusiasm for data, expressing excitement about acquiring new data and drawing inferences from it. He also underscored the significance of technology and the internet in his research. Dr. Card cited studies that utilize thresholds, such as age or grades, to illustrate their relevance in his field. He offered guidance to junior faculty and students, encouraging them to explore sharp discontinuities stemming from arbitrary regulations or unexpected environmental disruptions as potential starting points for intriguing research inquiries. Dr. Card emphasized the importance of acquiring in-depth knowledge, which eventually shapes the career objectives that the young researchers strive for. He discussed economies of scale, mentioning that it takes time to gain expertise in a particular area due to the multitude of unknowns. He shared his concept of delving deeply into a specific subject matter before expanding the scope of studies after gaining career experience and achievements.



*Prof. Prakarsh & Dr. Card*

### **Industry Collaboration:**

Dr. Singh fondly recalled his time at Amazon, where he collaborated with Dr. Card on various research projects. These projects delved into topics like the impact of remote work on employee attrition and the role of hierarchy and span of control in decision-making speed. Dr. Singh was keen to learn from Dr. Card about the experiences of an economist-scholar in the tech industry and the rationale behind hiring economists at institutions like Plaksha University.

Dr. Card elucidated that in the tech industry, companies frequently face complex decisions without well-defined models. Economists play a pivotal role in such situations due to their expertise in handling poorly specified models. He elaborated on how economists could assist in determining the optimal wages for employees at Plaksha University. Dr. Card challenged the traditional notion of a single market wage, emphasizing the existence of various wage levels. Economists could address questions related to turnover rates, absenteeism rate, employee effort, and the quality of employees hired at different wage rates. Given the absence of a complete labour market model, these questions could be tackled through quasi-experimental or experimental approaches. Dr. Card cited the example of information silos in such contexts and stressed the importance of economists in workforce management. This was in contrast to data scientists or applied statisticians who deal with readily available data and required less reliance on model-based frameworks. In economics, data was treated as a precious commodity, demanding patience in analysing key variables and careful examination of missing data components, setting it apart from computer science.

### **Institution Building:**

Dr. Singh remarked to Dr. Card, " You have built institutions such as AEA and the Department of Economics. Plaksha models itself as a liberal arts university with a tech focus, encompassing disciplines like Robotics, Computer Science, Artificial Intelligence, Machine Learning, Economics, and Bioengineering. What advice do you have for Plaksha as it scales itself? What can it do to attract world-class faculty in economics?"

Dr. Card advised administrators to provide a conducive environment and resources, including excellent students, ample funding, and, most importantly, access to other researchers. He suggested that universities should offer favourable conditions to scholars, as they are highly mobile and often self-employed. For instance, he cited the example of Berkeley, which attracts numerous researchers and has a pool of talented graduate students. He emphasized that scholars prioritize the presence of distinguished faculty members over the wages and infrastructure offered by the institution.

## INTERVIEW SPOTLIGHT

# DR. OLIVER VANDEN EYNDE

UNRAVELLING THE ECONOMICS OF CONFLICT IN INDIA:  
UNDERSTANDING THE MAOIST MOVEMENT

### About Oliver Vanden Eynde



<https://www.parisschoolofeconomics.eu/fr/vanden-eynde-oliver/>

Oliver Vanden Eynde is a distinguished academic figure holding the position of Chaired Professor at the Paris School of Economics (PSE) and serving as a researcher for the French National Centre for Scientific Research (CNRS). He also maintains an affiliation with the Centre for Economic Policy Research (CEPR). Vanden Eynde's scholarly pursuits are multifaceted, with a primary focus on civil conflict, crime, economic development, and the pivotal roles played by military and police forces in developing nations. Furthermore, his commitment to education is evident through his teaching engagements, where he imparts knowledge in areas such as microeconomics, market dynamics, and the intersection of conflict and development, benefiting both PSE's Summer School and master's level programs.

In the realm of political science, the exploration of the impact of economic shocks on political instability has gained significant traction over the past 15 years. At the forefront of this fascinating intersection is Professor Oliver, a distinguished and chaired professor at the esteemed Paris School of Economics. With profound expertise in the economics of conflict in India, Professor Oliver unravels the complexities surrounding the Indian Maoist conflict, shedding light on its low-intensity nature and the challenges of studying it effectively.

In this interview, we embark on an illuminating journey as Professor Oliver presents intriguing insights into the intricate relationship between economic shocks and political upheavals. A pivotal aspect of our conversation revolved around the impact of agricultural shocks on the Maoist movement and local economic conditions. Professor Oliver delves into the profound significance of the opportunity cost theory, wherein individuals, grappling with poor economic conditions, may turn to violence as an alternative.

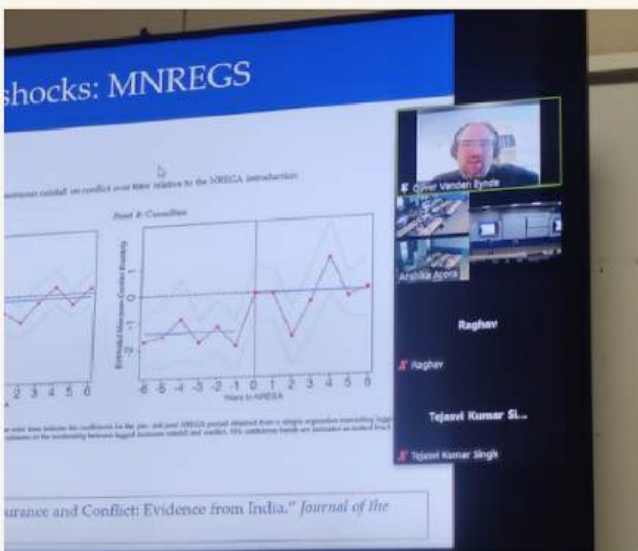
Furthermore, he examines the potential repercussions of negative shocks, with a special focus on the impact of drought as a negative agricultural shock. He delves into the critical role of mining resources and royalty rates on iron ore royalties in shaping the contours of the Maoist conflict in India.

## INTERVIEW SPOTLIGHT: OLIVER VANDEN EYNDE

Professor Oliver states, “Rain deficiency in mining districts is directly proportional to attacks on security forces. Rain deficiency is correlated with attacks on civilians as well in both mining and non-mining districts. In non-mining regions, people do not have any alternate earning other than agriculture. Hence, there is a constraint on revenue from Maoist tax. It is harder to absorb agri-shocks like drought. In mining areas, civilians can still provide tax. During bad times, civilians turn to the government and police more, hence resulting in more punishment and execution of civilians by the Maoists. The practice of strategic violence to try to scare people is also prevalent, along with local taxation to fund Maoism. The impact of schemes like NREGA is seen to be largely positive. As people get employed, they are empowered and do not need to turn to extremism.”

We asked Professor Oliver to tell us what the economic impact of the Maoist conflict was. He adds, “In terms of human capital impacts of conflict, the literature has found that education infrastructure is hit hard by Maoists, which can have a medium to long-term impact on the literacy rate of the region. However, it also turns out that the introduction of paramilitary forces to fight the Naxalites led to economic development in the region. Security concerns create such mark-ups.”

In conclusion, the economics of conflict in India, particularly concerning the Maoist movement, is a multifaceted and evolving field of study. Thanks to the insightful expertise of Professor Oliver, we have gained valuable insights into the intricate relationship between economic shocks and violence, the impact of development interventions, and the geographical factors influencing conflict intensity. As we continue to delve deeper into this subject, precise data and empirical research will be pivotal in developing effective strategies to address and mitigate conflicts in these regions.



*Images from the session*



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