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## **The effect of in-work benefits on perceived violations of reciprocity**

### **Abstract:**

In this paper the hypothesis whether in-work benefits are interpreted by the employee as a signal that employers are not willing to behave according to the norm of reciprocity and pay fair wages is tested using a survey of in-work benefit recipients and of non recipients as a comparison group. The method of propensity score matching is applied to eliminate all compositional differences between benefit recipients and non recipients except for the source of their income. It is shown that in-work benefits heighten the probability of employees perceiving a violation of reciprocity and that this violation is independent of the in-work benefit's relative as well as absolute amount.