AER 20071123 Experimental Instructions (all treatments)

You have been asked to participate in a production experiment. For your participation today you will earn an amount of money that depends on your performance in the experiment. Any earned money will be paid to you in cash at the end of the experiment.

In this experiment you will be completing a production task that consists of:

- Addressing and printing letters
- Putting the letters in envelopes
- Hand-addressing the envelopes

Each of you will be assigned to one of the work stations in the room. After the experimenter demonstrates how the tasks should be completed, you will work for 30 minutes.

It is important that all these tasks are completed correctly because these letters are addressed to candidates for a new position in the Economics Department.

At the end of 30 minutes you will each be asked to go around to each of the other participant's stations and count their output. You will write down your count of their output on a record sheet that you will be provided. To assure quality, you will then randomly choose one of their letters to open and check, both the letter and the envelope, for mistakes. You will then write down your assessment of the quality of the person's work on the record sheet. Your quality assessment for each individual will be a number between 0 and 1 where 1 indicates that the work is acceptable and 0 indicates that it is not acceptable.

The experimenter will also go around to each work station to count the output and assess the quality of each participant's work.

Do not write your name on any of the sheets you are given. Only put your participant number in the space provided at the top of the record sheet. We do this to maintain anonymity in the experiment. By only using your participant number, the other participants will not know your assessment of their output and the experimenter will never be able to link your actions to you by name.

After all the counts and quality assessments are turned in, you will fill out a brief survey and the experimenter will enter all the count and quality information into a spreadsheet. When every one is done with the survey you will be paid according to the following compensation scheme.

Compensation (Piece Rate)

The group will be working under a piece rate compensation scheme. Your piece rate compensation will be:

$Pay = N \times Q \times \$X$

where N is the count of your production by the experimenter, Q is your quality rating assigned by the experimenter and $\$X$ is the piece rate.

ARE THERE ANY QUESTIONS?

Compensation (Tournament)

The group will be working under a piece rate compensation scheme. However, there is also the potential for you to win a bonus. Your piece rate compensation will be:

$Pay = N \times Q \times \$X$

where N is the average count of your production by the experimenter, Q is your quality rating assigned by the experimenter and $\$X$ is the piece rate. On top of this, the participant who has the highest quality adjusted output ($N \times Q$) will be awarded a bonus of $\$Z$.

ARE THERE ANY QUESTIONS?

Compensation (Piece Rate with Sabotage)

The group will be working under a piece rate compensation scheme. Your piece rate compensation will be:

$Pay = N_{AVG} \times Q_{AVG} \times \$X$

where N_{AVG} is the average count of your production by the other participants and the experimenter, Q_{AVG} is your average quality rating assigned by the other participants and the experimenter and $\$X$ is the piece rate.

ARE THERE ANY QUESTIONS?

Compensation (Tournament with Sabotage)

The group will be working under a piece rate compensation scheme. However, there is also the potential for you to win a bonus. Your piece rate compensation will be:

$Pay = N_{AVG} \times Q_{AVG} \times \$X$

where N_{AVG} is the average count of your production by the other participants and the experimenter, Q_{AVG} is your average quality rating assigned by the other participants and the experimenter and $\$X$ is the piece rate. On top of this, the participant who has the highest quality adjusted output ($N_{AVG} \times Q_{AVG}$) will be awarded a bonus of $\$Z$.

ARE THERE ANY QUESTIONS?