



IAAEU

Institute for Labour Law
and Industrial Relations
in the European Union

Universität Trier

**TRIER UNIVERSITY
INSTITUTE FOR LABOUR LAW AND INDUSTRIAL RELATIONS
IN THE EUROPEAN UNION**

WORKSHOP on Experimental Labour and Personnel Economics

**October 16-17, 2015
IAAEU TRIER**





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Experimental Personnel Economics Oct. 16-17, 2015, IAAEU TRIER



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Schedule

Thursday, October 15, 2015

19:00 Informal Reception at
Bitburger Wirtshaus
Kornmarkt 1-3
54290 Trier

Friday, October 16, 2015

08:30 – 08:50 Registration
08:50 – 09:00 Welcome
09:00 – 12:00 Sessions 1 & 2
12:00 – 13:00 Lunch
13:00 – 15:30 Sessions 3 & 4
16:30 – 19:00 Guided City Tour & Wine Tasting
20:00 Conference Dinner

Saturday, October 17, 2015

09:30 – 13:00 Sessions 5 & 6
13:00 – 14:00 Farewell Lunch

All sessions will take place in the H building, Trier University,
Campus II, in room H714.



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Programme

Friday, October 16, 2015

08:30 – 08:50

Registration

08:50 – 09:00

Welcome

09:00 – 10:30

Worker Motivation; Chair: Sabrina Jeworrek

Leonie Gerhards

„Because of you I did not give up - How peers affect perseverance”

Emanuela Lezzi

„Does it matter which effort task you use? A comparison of four effort tasks when agents compete for a prize”

Sheheryar Banuri

„Was Weber right? The effects of pay-for-ability and pay-for-performance on pro-social motivation, ability, and effort in the public sector”

10:30 – 11:00

Coffee Break

11:00 – 12:00

Self-Selection I; Chair: Gabriel Schultze

Thomas Stolp

„Self-selection into linear contracts”

Gerhard Riener

„Voluntary norm enforcers: Evidence from an artefactual field experiment in matrilineal and patriarchic societies in India”

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12:00 – 13:00

Lunch

13:00 – 14:00

Trust & Control; Chair: Lars Hornuf

Adrian Chadi

„Smartphone ban, trust, and workplace productivity - Evidence from a natural field experiment”

Peguy Ndodjang

„IT monitoring: Evidence from a real-effort task experiment”

14:00 – 14:30

Coffee Break

14:30 – 15:30

Self-Selection II; Chair: Olga Lorenz

Peter Hans Matthews

„Compensating differentials in experimental labor markets”

Arjan Non

„Menus of contracts determine sorting patterns“

16:30 – 19:00

Guided City Tour & Wine Tasting

20:00

Conference Dinner



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Saturday, October 17, 2015

09:30 – 11:00

Natural Work Environments; Chair: Marco de Pinto

Sabrina Jeworrek

„Project failure and its impact on worker productivity – A field experiment”

Matthias Heinz

„Team incentives and performance: Evidence from a retail chain”

Andreas Friedl

„Gift exchange in a natural work environment; Dissociating types and actions”

11:00 – 11:30

Coffee Break

11:30 – 13:00

Behavioural Persistence; Chair: Adrian Chadi

Frédéric Schneider

„Job history, work attitude, and employability”

Philipp Krügel

„Explaining resistance to change: Some experimental evidence and implications”

Lars Hornuf

„Leadership and persistency in spontaneous dishonesty“

13:00 – 14:00

Farewell Lunch

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Organisational Information

Lunch and Conference Dinner

Lunch on Friday will take place at the Petrisberg cafeteria. The Conference Dinner on Friday evening will take place in the restaurant "Weinwirtschaft Friedrich-Wilhelm" in the city centre. After the lectures on Saturday, there will be a sandwich bar at the workshop venue.

Directions

The lectures will take place on Campus II, Trier University, in building H (Behringstraße).

From downtown Trier, the following bus to the workshop venue is recommended:

Bus 4 towards Irsch Hockweiler Str. (from the main station bus platform 4 or from the Porta Nigra bus platform 1) to the University Campus II, travel time from the Porta Nigra: about 20 min., from the main station: about 15 min.

Guided City Tour & Wine Tasting

After the last talk on Friday afternoon, we will jointly go downtown. The city tour will start and end at the Porta Nigra (16:30-19:00). Hence, we also recommend to book a hotel close to the Porta Nigra (see below) so that you will also have roughly 30 minutes before the tour to bring your bags etc. to your hotel room.

Recommended Accommodation

Römischer Kaiser/ Altstadthotel

Porta-Nigra-Platz
54292 Trier
Phone: +49 651 9770100
Fax: +49 651 97701999

Mercure Hotel

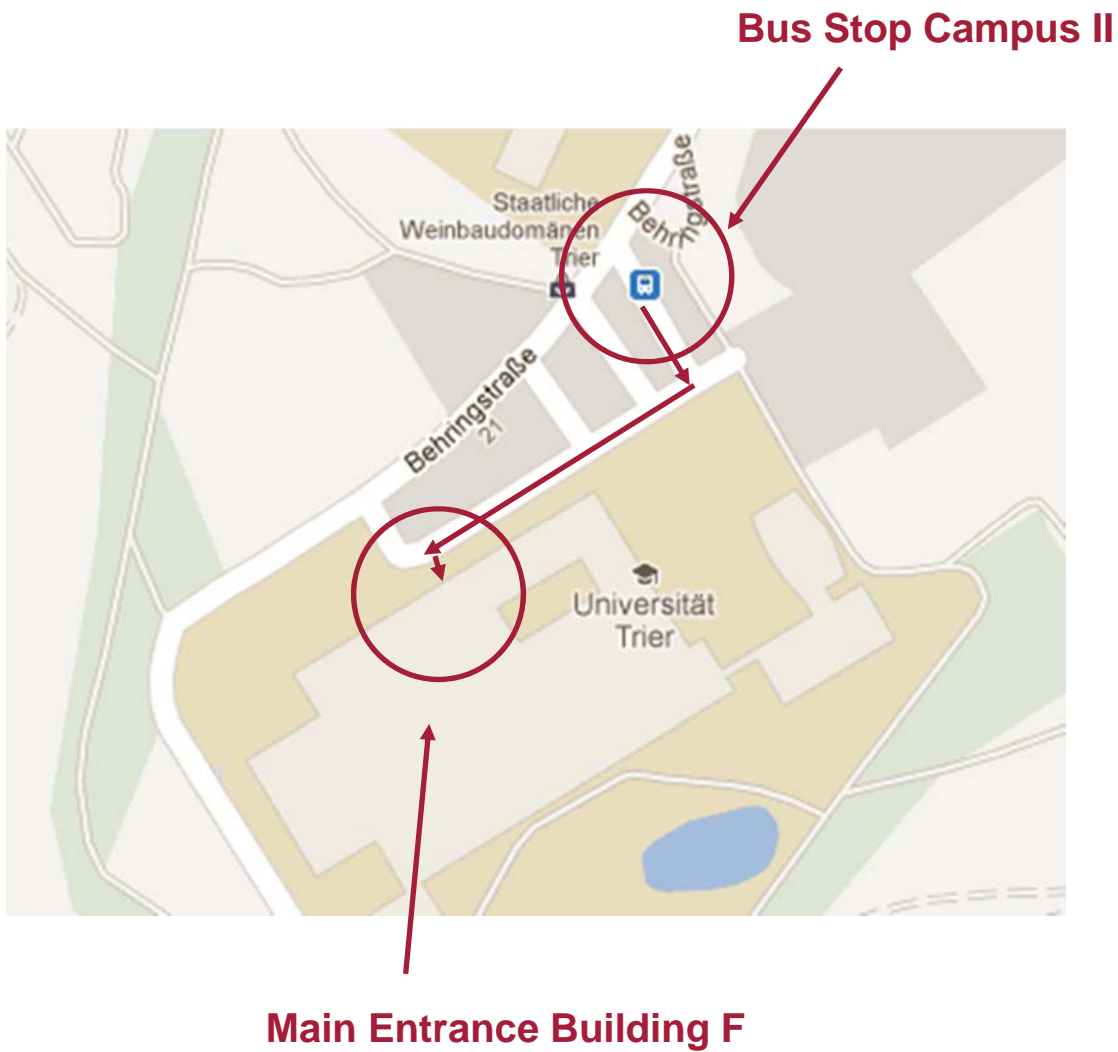
Porta-Nigra-Platz
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Overview: Campus II



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Directions to the IAAEU



Main Entrance to Building F



Go left past the map in the foyer and look to your right



The stairs next to the library entrance lead up one story (1.0 OG)



...at the top of the stairs turn to the right and follow the hallway...



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To get to these two elevators

You'll have to pass through a couple of glass doors...



The IAAEU is on the 7th floor



The entrance to the IAAEU will be open for the duration of the workshop.

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Abstracts

Friday, 09:00 – 10:30: Worker Motivation
Chair: Sabrina Jeworrek

Leonie Gerhards, Christina Gravert

„Because of you I did not give up - How peers affect perseverance”

Peers affect productivity and behavior in the workplace. However, how exactly they influence each other is still unknown. When being confronted with a task requiring perseverance, people might look to peers' behavior to motivate themselves to endure. In this laboratory experiment we employ a novel design to test the effect of unidirectional peer effects under individual monetary incentives. We separate the effect of observing someone from the effect of being observed. In particular, we measure perseverance in a real effort task, while controlling for individual ability. We find that peers significantly influence their observers' perseverance. However, knowing to be observed does not have a significant effect. In a second experiment we investigate the motives to self-select into the role of an observing subject or that of an observant subject.

Emanuela Lezzi, Piers Fleming, Daniel John Zizzo

„Does it matter which effort task you use? A comparison of four effort tasks when agents compete for a prize”

Effort tasks are commonly used to assess individual investment and performance in an experimental setting. Although the tasks used are diverse, they are typically intended to be equivalent as far as they aim to generalize beyond the specific task. We compare an induced value effort task and three real effort tasks in a contest game. Results show that there is no equivalence across tasks in relation to how risk attitude, anxiety and gender predict performance.



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Sheheryar Banuri, Philip Keefer

„Was Weber right? The effects of pay-for-ability and pay-for-performance on pro-social motivation, ability, and effort in the public sector”

This paper examines the effects of pecuniary compensation on the ability and motivation of individuals in organizations with non-pecuniary or pro-social missions. In particular, the paper compares flat pay systems, unrelated with ability or effort, to two other systems that are considered superior: high-powered, pay-for-performance schemes and more traditional, “Weberian” schemes that calibrate pay to ability, independent of effort (pay-for-ability). The analysis uses a sample of future public sector workers and finds that all three pay schemes attract motivated workers into tasks with a pro-social mission. However, flat pay schemes also attract low ability workers. In the short run, pay-for-performance schemes generate higher effort than flat pay and pay-for-ability systems, a difference driven entirely by effects on unmotivated workers. Once selection effects are accounted for, however, workers under pay-for-ability and pay-for-performance exert statistically indistinguishable levels of effort in the pro-social task. Moreover, pay-for-ability elicits effort at lower cost than pay-for-performance.

Friday, 11:00 – 12:00: Self-Selection I

Chair: Gabriel Schultze

Thomas Stolp, Arjan Non, Thomas Dohmen

„Self-selection into linear contracts”

We experimentally investigate two predictions from principal-agent theory that state how agents’ risk aversion and production risk influence agents’ preferred compensation choice. Experimental subjects are asked to choose how they want to be rewarded for their performance in a real-effort task. They are offered the choice between various linear piece rate contracts, where a higher piece rate comes at a cost of a lower fixed payment. We introduce production risk in this environment by multiplying subjects’ production with a random variable, of which the variance depends on the treatment. We implement three treatments: no risk, low risk, and high risk. We hypothesize that 1) more risk-tolerant subjects

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choose higher piece rates, and 2) a higher variance of random shocks induces subjects to choose lower piece rates. We find that relatively risk-tolerant subjects select a higher piece rate. They do not appear to be sensitive to the amount of risk in the production function; a higher variance of random shocks is not associated with the choice of a lower piece rate.

Debosree Banerjee, Marcela Ibanez, *Gerhard Riener*, Meike Wollni
„**Voluntary norm enforcers: Evidence from an artefactual field experiment in matrilineal and patriarchic societies in India**”

This paper investigates the process of gender self segregation into positions that imply control over others. We consider how conformity to social norms and aversion to feedback affect self-selection. Using a public good game with third party punishment we explore gender differences in willingness to assume the role of the third party across matrilineal and patriarchal societies. Our findings indicate that segregation into leadership roles is due to conformity to preassigned gender roles across cultures. We find that women in the matrilineal society are more willing to assume power roles than in the patriarchal society. Moreover, we find that anonymity over the role of the third party results in increased participation of the segregated gender. Affirmative action seems to be an effective tool to promote female leaders in societies where women hold a lower status; yet in societies where women are powerful the effect can be counterproductive.



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Friday, 13:00 – 14:00: Trust & Control
Chair: Lars Hornuf

Adrian Chadi, Mario Mechtel, Vanessa Mertins
„Smartphone ban, trust, and workplace productivity - Evidence from a natural field experiment”

We conducted a natural field experiment to investigate the effect of prohibiting smartphone use on employees' motivation and effort. Our setup allows us to disentangle the basic effect of the ban from the potential distrust effect. The cellphone ban increased average individual output significantly (by more than 10%), irrespective of the existence of an additional trust signal implemented to neutralize the (potential) negative trust signal induced by the ban. The data from a detailed survey conducted some weeks after the experiment shed more light on transmission channels and the role of employees' preferences.

Peguy Ndodjang, Brice Corgnet, Ludivine Martin
„IT monitoring: Evidence from a real-effort task experiment”

Agency theory states that constant monitoring is necessary to increase agents' effort. While the existing experimental evidence focuses on output monitoring, this paper studies the impact of constant monitoring allowed by Information Technology (IT). We analyze thus the effects of IT monitoring on agents' behaviors. We also analyze the impacts on principal's behaviors that are largely ignored in the existing literature. For this purpose, we conducted a controlled laboratory experiment using a virtual organization setting which enables us to introduce a real-effort work task as well as IT monitoring and shirking activities (leisure and cheating). We find that IT monitoring implies a disciplining effect which appears when the agents perceived the sanction of being caught shirking. IT monitoring is also useful for the principal to make more efficient decision in payoffs allocation. Even if monitoring agents is costly in terms of time that the principal cannot dedicate to work, the IT monitoring tool seems to mitigate this negative effect.

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Friday, 14:30 – 15:30: Self-Selection II Chair: Olga Lorenz

Jeffrey Carpenter, *Peter Hans Matthews*, Andrea Robbett
„**Compensating differentials in experimental labor markets**”

The theory of compensating differentials has proven difficult to test with observational data: the consequences of selection, unobserved firm and worker characteristics, and the broader macroeconomic environment complicate most analyses. Instead, we construct experimental, real-effort labor markets and offer an evaluation of the theory in a controlled setting. We study both the wage differentials that evolve between firms with varying degrees of disamenity and how these differentials are affected by worker mobility and therefore selection. Consistent with the theory, we find that riskier firms must pay significantly higher wages to attract workers. Further, when workers are mobile, they sort into firms according to their attitudes towards risk and, as a result, the compensating differential shrinks. Last, we are also able to mimic the biases associated with observational studies.

Mark Bernard, Thomas Dohmen, *Arjan Non*, Ingrid Rohde
„**Menus of contracts determine sorting patterns**“

Using a real-effort task experiment, we demonstrate how the set of available alternatives affects self-selection into a given type of incentive contract along agent characteristics such as risk attitude and productivity. In other words, the same contract attracts different types of agents depending on the set of alternatives. This insight is crucial for organizations that design contracts to best-respond to the set of contracts already on the market when hiring. Another implication is that organizations can design menus of contracts to induce fine-tuned multidimensional sorting patterns, which facilitates optimal assignment of agents to tasks.



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Saturday, 09:30 – 11:00: Natural Work Environments
Chair: Marco de Pinto

Sabrina Jeworrek, Vanessa Mertins, Michael Vlassopoulos
„Project failure and its impact on worker productivity – A field experiment“

Failure in organizations is ubiquitous. An open empirical question is what is the impact of information on past failure on future worker productivity? On one hand information might discourage employees by thinking that it is impossible to meet the objective and on the other hand feedback might boost employees' motivation by raising their perception of the worth of their effort for the employer. We conduct a natural field experiment with workers hired to work on a phone campaign to attract new volunteers to shed light on this type of managerial decision-making question. We find that workers who receive information on past campaign failure provide significantly higher effort (10%) compared to a control group without this information. Hence, we provide evidence of a hidden benefit of sharing information about past unfavorable organizational performance.

Guido Friebel, Matthias Heinz, Miriam Krüger, Nick Zubanov
„Team incentives and performance: Evidence from a retail chain“

We test the effectiveness of team incentives by running a natural field experiment in a retail chain of 193 shops and 1,300 employees. As a response to intensified product market competition, the firm offered a bonus to shop teams for surpassing sales targets. A bonus to teams rather than individuals was a natural choice because the firm does not measure individual performance and relies on flexible task allocation among employees. On average, the team bonus increases sales and customer visits in the treated shops by around 3%, and wages by 2.3%. The bonus is highly profitable for the firm, generating for each bonus dollar an extra \$3.80 of sales, and \$2.10 of operational profit. The results show the importance of complementarities within teams and suggest that improved operational efficiency is the main mechanism behind the treatment effect. Our analysis of heterogeneous treatment effects offers a

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number of insights about the anatomy of teamwork. The firm decided to roll out the bonus to all of its shops, and the performance of treatment and control shops converged after the roll-out.

Andreas Friedl, Ginaluca Grimalda

„Gift exchange in a natural work environment; Dissociating types and actions“

The objective of this project is to extend our knowledge of GE by studying the variation in workers' performance upon variations in the nature of the gift and in the information associated with the gift. The main questions we want to address are: (a) Is the "intention" behind the employer giving a gift the only thing that matters for workers, as the results in KMP seem to imply? (b) Does GE still hold when it is explicitly revealed that the main purpose of the employer handing out a gift is the productivity increase that the employer expects in return? We have no knowledge about how reciprocity to types and reciprocity to actions interact. In these experiments we compare conflicting and non-conflicting cases, and we observe their impact on individual behaviour, using a natural labour market. We are particularly interested in studying whether the use of sanctions can switch from being "detrimental" to being beneficial, if accompanied by information that the "type" of the agent is morally commendable.



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Saturday, 11:30 – 13:00: Behavioural Persistence
Chair: Adrian Chadi

Alain Cohn, Michel Maréchal, *Frédéric Schneider*, Roberto A. Weber
„Job history, work attitude, and employability”

We study whether employment history can provide information about a worker’s noncognitive skills—in particular about “work attitude,” or the ability to work well and cooperatively with others. Our hypothesis is that, holding all else equal, a worker’s frequent job changes often indicate poorer work attitude, and that this information can be transmitted in labor markets through a worker’s employment history. We provide support for this hypothesis across three studies that employ different methodologies. First, using a laboratory labor market in which the only valuable characteristic of workers is their reliability in cooperating with an employer’s effort requests, we demonstrate that prior employment information allows employers to effectively screen for such reliability and allows high-reliability workers to obtain better employment outcomes. Second, we conduct a field experiment in which we vary the frequency of job changes in fictitious job applicants’ resumes. Those applicants with fewer job changes are more likely to receive calls from prospective employers. A third study surveys HR professionals to confirm that the resume manipulations in the field study create different perceptions of work attitude. Our findings raise the possibility that signaling of work attitude may create a friction in labor markets, whereby workers may forgo potentially valuable job changes in order to avoid an impression of poor work attitude.

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Philip Krügel, Stefan Traub

„Explaining resistance to change: Some experimental evidence and implications”

We experimentally study the conditions under which employees resist organizational changes. We assume that such reforms can only be implemented if employees collectively provide a minimum level of effort (threshold contribution game). We find that uncertainty over payoffs does not necessarily lead to a rejection of reforms that increase inequality. This is in particular the case if the employer is able to trigger reciprocal behavior in employees by offering a `fair' wage (gift exchange). However, many implemented reforms are inefficient as employees fail to coordinate to the threshold equilibrium.

Susanne Braun, Lars Hornuf

„Leadership and persistency in spontaneous dishonesty”

There is extensive evidence that, when given the opportunity, people are cheating for monetary rewards, but only to the extent that they can keep a positive self-concept (Mazar, Amir, & Ariely, 2008). In this study, we investigate various factors that may influence the degree to which people can keep their positive self-concept while cheating for monetary gains. We find that authentic leadership, gender, cheating norm, experience of cheating and expectations of other's cheating behavior have no effect on subjects' spontaneous dishonesty on an abstract task. Therefore, reducing the cheating behavior of individuals might be a long-term project and harder than one would expect.



Internet access

→Via the eduroam network

- Please make sure your WLAN function is enabled
- Select “eduroam” and click “Connect”
- Log in with these details:
 - Username:
<your-username@your-university.Suffix>
e.g. my-address@my-university.edu
 - Password :
<password for your account at your university>



→IAAEU guest account:

Instructions and password will be part of your welcome package on Friday.



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Participants

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