

Eco361: Labor Economics

Project #2

This paper requires an analysis of different types of incentive schemes that an employer might use for a particular type of job. Each team must first identify two separate jobs with compensation that includes some incentive pay (not just wage or salary). The job descriptions you choose must come from someone you know, a job that you personally have worked at, or a published job description. The list of pay schemes that you may select from includes (but is not necessarily limited to): piece rates, commissions, profit sharing, stock options, tournaments, stock purchase plans, or tip pooling.

For each of the two jobs, the paper must provide the following and the organization of the paper should match the order provided below:

1. How the information on the job was collected (e.g. if described in a news article, attach a copy; if from a personal acquaintance, give the name of individual providing info and the name of the company).
2. Details on the nature of the job duties, the type of payment method, and your source of information.
3. A summary of your own predictions regarding the positive and negative effects of replacing regular “time pay” (i.e. wage or salary) with such a payment scheme. A list of possible things to consider includes (but is not limited to):
 - i. selection effects (i.e. what kind of workers would be attracted to this type of pay)
 - ii. Productivity effects (i.e. will this scheme cause workers to put forth more effort)
 - iii. Riskiness of pay
 - iv. Effects on worker’s willingness to cooperate with other workers
 - v. Effects on worker turnover
 - vi. Quality versus quantity of production
 - vii. Difficulties in monitoring output
4. A possible alternative to the incentive scheme you have described. This alternative should be something other than “hourly pay” or “salary” that would address one of the disadvantages that you mentioned above. For the alternative scheme, you should discuss each of the following:
 - i. How generous does the plan have to be in order to keep workers at least as happy as they were with the old scheme.

- ii. How the new scheme would help reduce a disadvantage of the original scheme that you identified. You should also point out if your alternative scheme might have some shortcomings relative to the original plan.

Grades: Assuming that team members are not identified as “free riders” by their team mates, each member of the team will receive the same grade on the paper. Should anyone be identified as a free rider by team mates, I reserve the right to give differential grades.

Grades will be based upon the clarity and organization of the writing, the accuracy with which the payment schemes are portrayed (more detail is better), the breadth of coverage in terms of likely pro’s and con’s of each payment scheme, and details on how you might construct the alternative scheme to your real world example. In your description of the advantages and disadvantages, you should assume that your reader is familiar with the concepts developed in this course. Use of concepts and terminology relevant to this course will enhance the quality of the paper.

If a team member is not being helpful on the assignment, do not hesitate to let me know in advance of the deadline so that I may intervene. A failure to notify me in advance of a free rider will reduce the weight that I place on any subsequent complaints about teammates that free ride.

Deadlines

5. 11/24 at 5 p.m.: Each team provides a one page description of the two jobs they will consider including the job description, the compensation scheme, and the source of the information. Five percentage point penalty for each day (or part thereof) late.
6. 12/10 at 5 p.m. : Electronic copies of paper submitted via turn-it-in. 5 percentage point penalty for each day (or part thereof) late.

Length and format

Any graphs or tables should be attached to the end of the paper, numbered consecutively, with reference to that numbering system in the text. For example, figure 1 illustrates the old payment scheme in contrast to the new payment scheme.

There is no constraint on the length of the paper, though I would expect it to be 6-8 pages, not counting the tables and figures that you add. Your paper should be double-spaced, 12 point font, 1” margins.

Team Assignments

Walsh, Kelcey	1	Dailey, Kara	4
Geisler, Seth	1	Milan, Peter	5
Krammes, Curtis	1	Ladley, Ross	5
Mijatovic, Dragana	1	Thompson, Jeffery	5
Donaldson, Scott	2	Kilgore, Andrew	5
Hughes, Meghan	2	Bellman, Jacob	5
Lewallen, Meghan	2	Gershenson, Michael	6
Kleykamp, Gregory	2	Silver, Kevin	6
Smith, Adam	3	Hartman, Thomas	6
Wu, Lu	3	Duggan, Michael	6
Shader, Brett	3	Sehnoutka, Jonathan	6
Fox, Jordan	3	Eckard, Katrina	7
Walsh, Lisa	4	Umpleby, Oliver	7
Adamson, Tanner	4	Beshara, Sable	7
Capasso, Michael	4	Mezzadri, Jonathan	7