This paper requires an analysis of different types of incentive schemes that an employer might use for a particular type of job. You must identify a job with compensation that includes some incentive pay (not just wage or salary). The job description 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. The paper must provide the following and the organization of the paper should match the order provided below:

1. How was the information on the job collected (e.g. if described in a news article, attach a copy; if from a personal acquaintance, give the name of the individual providing the information and the name and location of the employer).

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. Expected value of pay
   v. Effects on worker’s willingness to cooperate with other workers
   vi. Effects on worker turnover
   vii. Quality versus quantity of production
   viii. Difficulties in monitoring output
   ix. Willingness to sabotage other workers

4. A suggestion for improving the incentive scheme you described. You should write this section as if you are trying to convince the employer that the revised scheme would improve the profitability of the firm (keep in mind that you must retain the worker, but you do not want to “overpay” the worker). This alternative should be something other than “hourly pay” or “salary” that would address one of the disadvantages that you mentioned in part 3. You should also discuss any potential drawbacks to the revised pay scheme and how you would decide how generous to make the new compensation scheme.

Grades
Your grade will be based on the criteria listed in the attached rubric. The job that you choose will affect the richness of your analysis. Think carefully about whether the job you are choosing lends itself to an interesting discussion. While the simplest approach to this project might be to use information based on one of your own jobs or someone you know, the details of the compensation structure might make the paper difficult to write.

If you are having difficulty finding a job with an interesting pay structure, here are a few suggestions you might consider looking for on the web or in academic journals. If you have a particular type of job or compensation method you’d like to work on and are having difficulty finding an example, I might be able
to assist.

- Teacher compensation tied to student performance.
- Coaching compensation in the NCAA and the link to “performance”.
- CEO compensation at public corporations (salary, stock, options).
- Compensation of health care providers and the link to patient outcomes.
- Compensation of financial advisors.
- Compensation of sales people and variable commission rates (e.g. different commission rate for different products sold) or tournaments.
- Truck driver pay
- Pay for performance among professional athletes
- Piece rates among textile or farm workers
- Group incentive pay for professional athletic teams
- Tournament pay for professional athletes, sales people, military personnel, etc.
- Deferred pay in the form of stock options for managers

Deadlines

Electronic copies of paper submitted via email are due on Monday 12/1/14 by 5 p.m. There will be a 20 point penalty for each day (or part thereof) that the paper is 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 3-5 pages, not counting any tables or figures that you add. Your paper should be double-spaced, 12 point font, 1 inch margins.
<table>
<thead>
<tr>
<th>Team:</th>
<th>Good to excellent (8-10)</th>
<th>Acceptable, but minor problems (7)</th>
<th>Unacceptable, major problems (1-6)</th>
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<tr>
<td>Verbal description of employer, job, and compensation scheme</td>
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<td>Economic rationale for advantages/disadvantages relative to time pay</td>
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<td>Completeness of list of advantages and disadvantages</td>
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<td>Merit and creativity of proposed alternative for existing scheme</td>
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<td>Overall writing quality (organization, clarity, grammar, etc.)</td>
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