Incentives for Effort Provision in Groups

PhD Thesis

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Abstract

This thesis consists of three independent essays, unified by the common theme of incentives for effort provision in groups.

In Chapter 2 we develop a multi-stage contest design where heterogeneous agents face the prospect of promotion and the threat of demotion from one stage to the next. We illustrate theoretically that if agents are homogeneous in ability, the principal is better off pooling agents in one division. However, if there are ability differences, the principal is better off assigning agents to separate divisions based on ability level, while allowing for agents to be promoted and demoted after each stage of play. The experimental results support the use of promotion and demotion in multi-stage contests when abilities are heterogeneous. In contrast with the theoretical predictions, we did not find significant differences in total effort between the pooled contest and the contest with promotion and demotion when abilities were homogeneous.

Chapter 3 provides a comparison between a two-strike exclusion policy and a zero-tolerance exclusion policy as a means for fostering cooperation in groups. The results from our experiment suggest that group members tend to cooperate more after receiving a strike. However, requiring group members to issue strikes to one another prior to exclusion seemed to be less effective than allowing for exclusion without prior receipt of strikes.

In Chapter 4 we determine whether the efficacy of mutual monitoring in fostering cooperation is dependent on the degree of approval motivation within teams. Approval motivation is defined as the desire to produce positive perceptions in others and the incentive to acquire the approval of others as well as the desire to avoid disapproval, Martin (1984). The hypotheses developed in the theoretical section provide support for the notion that individuals will be more responsive to mutual monitoring if they possess a higher degree of approval motivation. However, the results generated from the experiment suggest that the efficacy of mutual monitoring in fostering cooperation is negatively correlated with the degree of approval motivation within teams.

Certificate of original authorship

I, Jonathan Levy, declare that this thesis is submitted in fulfillment of the requirements for the award of Doctor of Philosophy, in the Business School at the University of Technology Sydney. This thesis is wholly my own work unless otherwise indicated in the references or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis. This document has not been submitted for qualifications at any other academic institution. This research was supported by the Australian Government Research Training Program.

Signature:

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