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AWI This Week

Monday, 24. 01. 11 Departmental Seminar

17.15-18.45 Jenny Kragl, EBS University Wiesbaden
AWI 00.010 "Wage Floors and Optimal Job Design"

Wednesday, 26. 01. 11 Departmental Workshop

17.15-18.45 Nikos Nikiforakis, University of Melbourne
AWI 00.010 "Normative Conflict & Feuds: The Limits of Self-Enforcement"

Departmental Seminar

Jenny Kragl

"Wage Floors and Optimal Job Design"*

We analyze the effects of lower bounds to wages such as minimum wages or liability limits on optimal job design. In our model, two tasks contribute to non-verifiable firm value and affect an imperfect performance measure. The tasks can be assigned to either one or two agents. In the absence of a wage floor, it is optimal to assign the tasks to different agents whenever the agents' opportunity costs are not too large. Under such a job design, the principal can tailor incentives according to each task's marginal productivity. By contrast, with a relatively large wage floor, the principal distorts effort incentives to avoid rent payments to the agents, even before the wage floor exceeds the agents' opportunity costs. If the wage floor is sufficiently large, the optimal job regime assigns both tasks to only one agent even though this inevitably leads to a distortion of effort across tasks and possibly a rent payment to the agent. Given that the performance measure is sufficiently distortive, the principal may even find it optimal to exclude the less important task from the job. Applied to labor market institutions, the model suggests that an increase in unemployment benefits may be preferable to the introduction of a minimum wage with respect to both overall efficiency and the welfare of workers.

*with Anja Schöttner

Departmental Workshop

Nikos Nikiforakis

"Normative Conflict & Feuds: The Limits of Self-Enforcement"*

A normative conflict arises when there exist multiple norms of behavior. In such cases, norm enforcement could lead to a feud, if individuals disagree about when it is appropriate to apply punishment. We investigate the hypothesis that normative conflict enhances the likelihood of a feud within a public-good experiment. The normative conflict arises from the fact that some individuals enjoy higher returns from contributions to a public account – a privilege they earned with their superior performance in a real-effort task. We find that punishment is three times as likely to lead to a feud when there is normative conflict. As a result, earnings are as low as in a baseline treatment without punishment opportunities.

*with Charles N. Noussair and Tom Wilkening

Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

Talks and Research Visits

Christiane Schwieren presented her paper "Contributing for myself, but freeriding for my group" with Yoshio Iida at the Research Seminar of the MPI for Research on Collective Goods in Bonn, January 18.

New Working Papers

Andreas Irmen: *Ist Wirtschaftswachstum systemimmanent?* Discussion Paper Series No. 509, January 2011.

Alec Sproten, Carsten Diener, Christian Fiebach, Christiane Schwieren: *Aging and decision making: How aging affects decisions under uncertainty.* Discussion Paper Series No. 508, December 2010.

Visitors

Nikos Nikiforakis from the Department of Economics at the University of Melbourne is staying for research visit at the chair of Joerg Oechssler from January to April 2011.

**Editorial deadline for issue 04/2011 of the newsletter:
Wednesday, January 26, 2011, 12 o'clock
newsletter@awi.uni-heidelberg.de**

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please contact the address above