

Principals' distributive preferences and the incentivization of agents

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Abstract

We plan to conduct a lab experiment to better understand how people tradeoff incentives and distributive preferences when choosing how to allocate wages within small work groups. Managers (principals) must calibrate tournament contracts for a group of two workers (agents). Our experiment disentangles incentivization strategies from distributive preferences by varying the way managers are paid. In the stakeholder treatment they receive the production value of the workers and in the impartial spectator treatment they are paid a fixed wage. Managers make their tournament calibration choices knowing the working history of workers under various contracts. We elicit the share of egalitarian, meritocratic and over-incentivizing managers and describe how they deviate from their distributive preferences once they are in the position of a stakeholder.

JEL Classification: C7, C9, J3

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