

# **INCENTIVES. PRINCIPAL-AGENT MODEL**

## **ASSIGNMENT 1.**

Usually, an employee's job consists of many tasks.

E.g.: Workers in the marketing area of a firm:

- New business
- Customer assistance
- Gathering information and data on the competitors' activities

**ALL RELEVANT TASKS FOR THE FIRM'S RETURNS**

# INCENTIVES. PRINCIPAL-AGENT MODEL

## ASSIGNMENT 1.

What kind of contract may be used to incentivize the agent's effort?

Which is the most suitable measure of productivity to consider?

# **INCENTIVES. PRINCIPAL-AGENT MODEL**

## **ASSIGNMENT 1.**

Try to answer and remember that we are talking about monetary incentives and Principal-Agent model

# INCENTIVES. PRINCIPAL-AGENT MODEL

## ASSIGNMENT 2.

Empirical analysis shows that:

- Employees early in their careers work hard even under simple fixed-wage contracts.
- CEO compensation exhibits the most performance sensitivity for executives closer to retirement

# INCENTIVES. PRINCIPAL-AGENT MODEL

## ASSIGNMENT 2.

It seems that explicit incentives are considered:

- FOR workers close to retirement
- NOT for young agents at the beginning of their career

# INCENTIVES. PRINCIPAL-AGENT MODEL

## ASSIGNMENT 2.

WHY?

Try to explain and remember that we are talking about monetary incentives and Principal-Agent model

# **INCENTIVES.**

## **WASTE MANAGEMENT**

- **INDIVIDUAL MOTIVATIONS AND WASTE MANAGEMENT**
- **Non-monetary incentives on individual waste management decisions.**

# INCENTIVES.

## WASTE MANAGEMENT

Importance of BOTH:

**monetary** and **non-monetary** incentives in:

- Waste recycling
- Waste reduction

# INCENTIVES.

## WASTE MANAGEMENT

Main differences between waste recycling and waste reduction:

- **recycling may be visible** to the other (to the '*neighbours' eyes*')
- **waste reduction is a more private action which is unlikely to be observable by others**

AND:

- **recycling** may be induced by both **intrinsic and extrinsic** motivations
- **waste reduction** is mainly associated with **intrinsic** motivations

# INCENTIVES. WASTE MANAGEMENT

## ASSIGNMENT 3

Behaviour	Visibility	Motivation	Incentives	Possible effects of the incentives
Waste reduction	Mainly hidden	Mainly intrinsic	Monetary incentives	REMEMBER CROWDING-IN CROWDING-OUT EFFECTS
			Which? Some example	
			Motivational incentives	REMEMBER CROWDING-IN CROWDING-OUT EFFECTS
			Which? Some example	

# INCENTIVES. WASTE MANAGEMENT

## ASSIGNMENT 4

Behaviour	Visibility	Motivation	Incentives	Possible effects of the incentives
Waste recycling	Mainly visible	Both extrinsic and intrinsic	Monetary incentives	REMEMBER CROWDING-IN CROWDING-OUT EFFECTS
			<b>Which? Some example</b>	
			Motivational incentives	REMEMBER CROWDING-IN CROWDING-OUT EFFECTS
			<b>Which? Some example</b>	