

# After the Tournament: Outcomes and Effort Provision

Canadian Economics Association

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- Although screening is helpful, productivity of those who lost may fall
- Especially if the promotion rule is unmeritocratic (random)
- Unusual and attractive features of the experiment:
  - ① Add a stage with production (no competition)
  - ② Make some promotions random

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- Why might the link matter?

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- Why might the link matter?
  - ▶ General anger (about losing)
  - ▶ Directed anger (at the winner)
  - ▶ Interdependent preferences (not angry about losing)
  - ▶ Procedural fairness

## 4 treatments

	<b>Baseline</b>	<b>MAIN</b>	<b>Rotating</b>	<b>Rep.prod.</b>
<i>Promotion</i>	Fair	Noisy	Noisy	Noisy
<i>Partner</i>	Same person	Same person	Switch	Same person
<i>Manager &amp; employee</i>	No link	Linked	Linked	Linked
<i>Production stages</i>	1	1	1	4

## Where should we see treatment effects?

- General anger: *All*
- Directed anger: *All except T3*
- Interdependent preferences (not angry about losing): *All except T1 (all rounds)*
- Procedural grievance: *All except T1 (1/4 of rounds)*
- Willingness to pay for punishment: *Possible to punish everywhere, most room to punish in T4*
- Regret: *All except T1*

# Results

- *Procedural fairness*: Winning (“promotion”) decided by the computer rather than worker effort in 1/4 cases
- Output- vs. color-rule known after effort provision
- (Would knowing this ahead decrease resentment?)
- Evidence consistent with disliking random promotion (consistent with a visceral / hot state reaction – but even in the baseline treatment losers work less)



## Other interesting results

- *Non-maximization*: In every treatment, at least 1/4 of subjects choose above-equilibrium effort
- *Limited learning*
- When 4 *production stages* follow tournaments (the Repeated piece-rate treatment), effort is highest (3.47 vs. 2.34 in the linked-payoff treatment)

## When will aggrievement take place?

- Is randomness a form of unfairness? (Opposite argument can be made)
- A tournament may trigger a rat-race (all-pay auction type behavior) or there may be a threat of nepotism. Then a random draw could be seen as more legitimate
- Other forms of non-meritocratic promotions can provoke resentment

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- Other forms of non-meritocratic promotions can provoke resentment
- People resent when competence/ability is not recognized
- Industry effects

## Other minor comments

- Women are “more competitive” – interpretation?
- Preference for merit scale?
- Why are higher earnings achieved in the fourth treatment (repeated production)?

Thank you