

## **BACKGROUND AND TASK**

### **Your Role in ABC Company**

Assume that you are an employee of ABC Company.

### **Your Task**

Your task is to determine the level of effort you want to exert at your job at ABC Company, doing so for **multiple rounds**. You will be notified when you have completed the final round.

In each round, a higher effort level is associated with a higher probability of achieving a higher outcome level. The three potential outcome levels are low, medium, and high. However, a higher effort level is costlier to you. More detail will be provided later on how effort levels, outcome levels, and cost of effort are related.

Your earnings will be expressed in points. After completing each round you will be informed of the number of points you earned. At the end of the study, we will convert the points you earned into U.S. Dollars at a rate of \$1.00 for every 4,000 points. After you complete your task, you will complete a follow-up questionnaire. You will then be provided with a completion code to enter in order to receive your compensation.

## Compensation

**Your compensation will be based on the outcomes of all rounds of the task you will complete.**

Each round, ABC Company will pay you:

- 1) a base salary of 3,250 Points, and
- 2a) no penalty if you achieve a high outcome,
- 2b) a penalty of 1,000 Points if you achieve a medium outcome, OR
- 2c) a penalty of 2,000 Points if you achieve a low outcome.

Thus, if you achieve a high outcome, you will be compensated a total of 3,250 Points (base salary only). If you achieve a medium outcome you will be compensated a total of 2,250 Points (3,250 Points base salary less 1,000 Points penalty). If you achieve a low outcome, you will be compensated a total of 1,250 Points (3,250 Points base salary less 2,000 Points penalty).

You will be informed whether you achieved a high, medium, or low outcome at the end of each round.

In each round, your chance of achieving a high, medium, or low outcome will depend on your chosen level of effort. In each round, you will choose your effort level from a schedule of 13 effort levels. Each level of effort corresponds to different probabilities that the level of effort will yield a high, medium, and low outcome. The following table shows the effort levels, the cost to you of each effort level, and the probability of achieving a high, medium, or low outcome associated with each effort level.

**Schedule of Effort Levels**

Your Effort Level	Cost of Effort (in Points)	Probability of Achieving a <b>High Outcome</b> and Receiving base salary only	Probability of Achieving a <b>Medium Outcome</b> and Incurring the 1,000 Points Penalty	Probability of Achieving a <b>Low Outcome</b> and Incurring the 2,000 Points Penalty
1	50	5%	30%	65%
2	150	10%	30%	60%
3	250	15%	30%	55%
4	350	20%	30%	50%
5	450	25%	30%	45%
6	550	30%	30%	40%
7	650	35%	30%	35%
8	750	40%	30%	30%
9	850	45%	30%	25%

10	950	50%	30%	20%
11	1050	55%	30%	15%
12	1150	60%	30%	10%
13	1250	65%	30%	5%

Notice that each level of effort (column 1) is associated with a monetary cost to you (column 2), and that the higher the level of effort, the higher your monetary cost. However, a higher level of effort also increases your chance of achieving a higher outcome level and thereby avoiding a penalty for a round.

Your actual outcome in each round will be determined in the following manner. After you have selected your effort level for that round, the computer program will randomly select a number between 1 and 100. The number will be compared to the probability of achieving a high, medium and low outcome associated with your chosen level of effort. For a high outcome, if the random number is smaller than or equal to the associated probability, you will achieve the high outcome. For example, if you chose an effort level of 7, the associated probability of achieving a high outcome level is 35%. Thus, you will achieve a high outcome if the computer program selects any number between 1 and 35. You will achieve a medium outcome if the computer program selects a number between and including 36 and 65 (representing the 30% probability in Column 4). You will achieve a low outcome if the computer program selects a number between and including 66 and 100 (representing the 35% probability in column 5).