

Stage 2 Instructions

You, Worker 2, and Worker 3 will all be working together on a new project, led by Manager B.

You, Worker 2, and Worker 3 will receive compensation for participating in this project.

Manager B will also receive some amount of compensation. However, Manager B's total pay will depend on a performance evaluation.

If Manager B's performance evaluation is positive, Manager B will receive a bonus equal to 50% of his/her pay.

Manager B's chance of a positive performance evaluation (which earns the 50% bonus) increases as you, Worker 2, and Worker 3 contribute effort (i.e., work harder) to your project.

Your total pay for the Stage 2 project will start at \$2.00. You can contribute up to \$1.00 of your compensation to the project to increase the probability that Manager B receives a positive performance evaluation and, as a result, earns the 50% bonus. Greater contribution amounts have a greater positive effect on Manager B's evaluation.

If you choose to contribute \$0.00, your pay will be \$2.00 and you will not increase the probability that Manager B receives a positive performance evaluation. If you choose to contribute the maximum of \$1.00, your pay will be \$1.00. In other words, your pay will be \$2.00 less whatever amount you choose to contribute.

For your information, nobody on your team contributed less in Stage 1 than you did.

For this project, Manager B has the option to add the following instruction:

"Everyone on the team has to contribute at least \$0.20 to the project."

Note: If Manager B chooses to add this requirement, you can contribute any amount between \$0.20 and \$2.00.