**Instructions for All Treatments (for Employers)**

This experiment is part of the research project conducted by Iowa State University. It is used to analyze decision behavior in markets. The instructions are simple and if you read them carefully and make appropriate decisions, you can earn money ranging from zero to 8 dollars (on top of 3 dollars participation fee). Your earnings will be calculated in points which will be converted to dollars at the end of experiment at the following rate.

**1 point = 10 cents**

In this whole experiment consider yourself as an employer who is hiring workers. These workers are real people (like yourself) who are assigned the “role of worker” by the experimenters. As part of this experiment you will be randomly matched with different workers. You will select a wage offer for the matched worker and the worker will select the effort level.

Effort is costly to workers but profitable to employers (like yourself). Throughout this experiment, your randomly matched worker will not know your identity *(for baseline treatment)* /will see your name and picture from upwork profile *(for race salient treatments)*.

The experiment will consist of 10 periods. In each period you will be matched with a new worker. Each period will consist of two *(three for Bonus treatments*) stages. In the first stage you (employer) will select a wage level. In the second stage worker will see the wage and choose the effort level. In the third stage you (employer) will observe the effort choice of your matched worker and decide whether to reward bonus of **10 points** to the worker. Wage rate, effort level and bonus will affect yours and your worker’s earnings. Your earning from a period will be as follows;

Employer Earning = (126 – Wage) x Effort

Your randomly matched worker’s earning will be as follows;

Worker Earning = Wage – 26 – Effort Cost + Bonus

Putting more effort is costly to worker but it benefits employer. Worker’s cost for each allowed level of efforts is as follows;

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Effort | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 1 |
| Effort Cost | 0 | 1 | 2 | 4 | 6 | 8 | 10 | 12 | 15 | 18 |

You (employer) can offer any wage between 30 and 125 (in increments of 5).

For example, if you selected the **wage offer of 50**, your worker chose **effort level of 0.5** and you decide to reward the bonus then your and your worker’s earnings will be as follows;

Employer Earnings = (126 – 50) x 0.5 = 38

Worker Earning = (50 – 26 – 6 + 10) = 30

Throughout the experiment you will have access to on-screen calculator in which you can input different values for wages and effort and see your earnings and your worker’s earning for that period before submitting your wage choice. As already mentioned there will be 10 periods in this experiment, which means you will select wage choice and decide bonus 10 times (for 10 different workers). At the end of this experiment, one of the 10 periods will be randomly chosen by the computer and you and your worker’s final earnings will be what you and your worker earned in that chosen period. It is in your interest to do your best in each period.