**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 uploaded picture *(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 Third Stage 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 a worker’s effort choice and choose a multiplier between 0 and 2. Wage rate, effort level and multiplier will affect yours and your worker’s earnings. Your worker’s earning from a period will be as follows;

Worker Earning = (Wage – 20 – Effort Cost) x Multiplier

Your (employer) earning will be as follows;

Employer Earning = (120 – Wage) x Effort – Multiplier Cost

Putting more effort is costly to workers but it benefits you (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 you any wage between 20 and 120 (in increments of 5).

Your (employer) cost for different values of multiplier is given as follows;

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Multiplier | 0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 1 |
| Multiplier Cost | 10 | 9 | 8 | 7 | 6 | 5 | 4 | 3 | 2 | 1 | 0 |
| Multiplier | 1.1 | 1.2 | 1.3 | 1.4 | 1.5 | 1.6 | 1.7 | 1.8 | 1.9 | 2 |  |
| Multiplier Cost | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |  |

For example, if you (employer) selected the wage offer of 50, your worker chose effort level of 0.5 and you (employer) decided to choose Multiplier = 1.5 then your worker’s and yours earning will be as follows;

Cost of choosing 0.5 effort (from table 1).

Multiplier by the employer.

Wage by the employer.

Worker Earning = (50 – 20 – 6) x 1.5= 36

Employer Earnings = ((120 – 50) x 0.5) - 5 = 30

Wage by the employer.

Effort as chosen by the worker

Cost of selecting multiplier of 1.5 (from table 2)

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

Make sure you understand the instructions before proceeding. The next screen will ask you questions related to some arbitrary examples of what could happen in the experiment. These instructions will be accessible to you throughout the experiment.