**Instructions for “Bonus” and “Race Salient with Bonus” Treatments (for Workers)**

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 10 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 a worker who is working for an employer. These employers are real people (like yourself) who are assigned the “role of employer” by the experimenters. As part of this experiment you will be randomly matched with the employer. That employer will select a wage for you and you will chose effort level and then employer can reward you with discretionary bonus. Effort is costly to you but profitable to your employer. Throughout this experiment, your randomly matched employer will not know your identity.

The experiment will consist of 10 periods. In each period you will be matched with a new employer. Each period will consist of three stages. In the first stage your employer will select a wage. In the second stage you (worker) will see the wage and choose the effort level. In the third stage employer will observe your effort choice and decide whether to reward you bonus of **10 points** or not. Wage rate, effort level and bonus will affect yours and your employer’s earnings. Your earning from a period will be as follows;

Worker Earning = Wage – 26 – Effort Cost + Bonus

Your employer earning will be as follows;

Employer Earning = (126 – Wage) x Effort

Putting more effort is costly to you but it benefits your employer. Your 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 |

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

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

Worker Earning = 50 – 26 – 6 + 10= 30

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

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.