

CIFREM SEMINARS

Cooperation and Incentives Within a Firm

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2 PM - DISA seminar room

Faculty of Economics- Via Inama, 5

We consider a principal-agent model with sequential moves by the agents. The agents productivity depends on moves by nature as well as on unobservable effort they each exert but their individual outcomes are both observable and verifiable. We study both an individual-based (IBIS) and a team-based incentive schemes (TBIS). We show that the IBIS can never be more profitable than TBIS for the principal. We establish a necessary and sufficient condition in terms of the cumulative distribution that governs nature's moves for the TBIS to be more profitable than IBIS for the principal. Our results are consistent with evidences presented in the paper.

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