

Programme



IAAEU

Institute for Labour Law
and Industrial Relations
in the European Union

Workshop on Performance Pay and Employee Outcomes

Institute for Labour Law and Industrial Relations in the European Union | Trier University

Workshop on Performance Pay and Employee Outcomes

2nd December, 2022

Institute for Labour Law and Industrial Relations in
the European Union (IAAEU)
Trier University, Campus II
Behringstraße 21
54296 Trier

Welcome to the Institute for Labour Law and Industrial Relations in the European Union

The Institute for Labour Law and Industrial Relations in the European Union (IAAEU) was established as a public foundation in 1983 and is funded by the state government of Rhineland-Palatinate. While being a public foundation, the IAAEU is also a research institute of Trier University and is situated in the heart of the Petrisberg Technology Park on Campus II. The IAAEU comprises two working groups of which one engages in research in the area of European labour law (Legal Team) and one engages in the theoretical and empirical analysis of personnel and labour economic issues (Economics Team). Depending on the research questions and the available data the economists rely on experimental data drawn from the experiments conducted in the institute's laboratory or on survey and corporate data. Since January 2012 Laszlo Goerke is one of the directors of the IAAEU and head of the Chair of Personnel Economics at Trier University. He is also a research fellow of the Institute of Labor Economics (IZA) and the CESifo Group Munich.

For detailed information have a look at our [website](#).

About TriECON

TriECON is a workshop series initiated and conceptualized by the Institute for Labour Law and Industrial Relations in the European Union (IAAEU) in cooperation with the Chair of Personnel Economics at Trier University. Each workshop is designed to offer a platform for scientific exchange on a particular topic. The workshop series supports the networking among scientists and promotes the exchange of research ideas and results with other scientists as well as with the wider, interested public.

We hope you will have a pleasant event and gain some new insights!

For information about the upcoming workshops, we invite you to visit the corresponding [website](#).

December 2nd 2022

Venue:

IAAEU

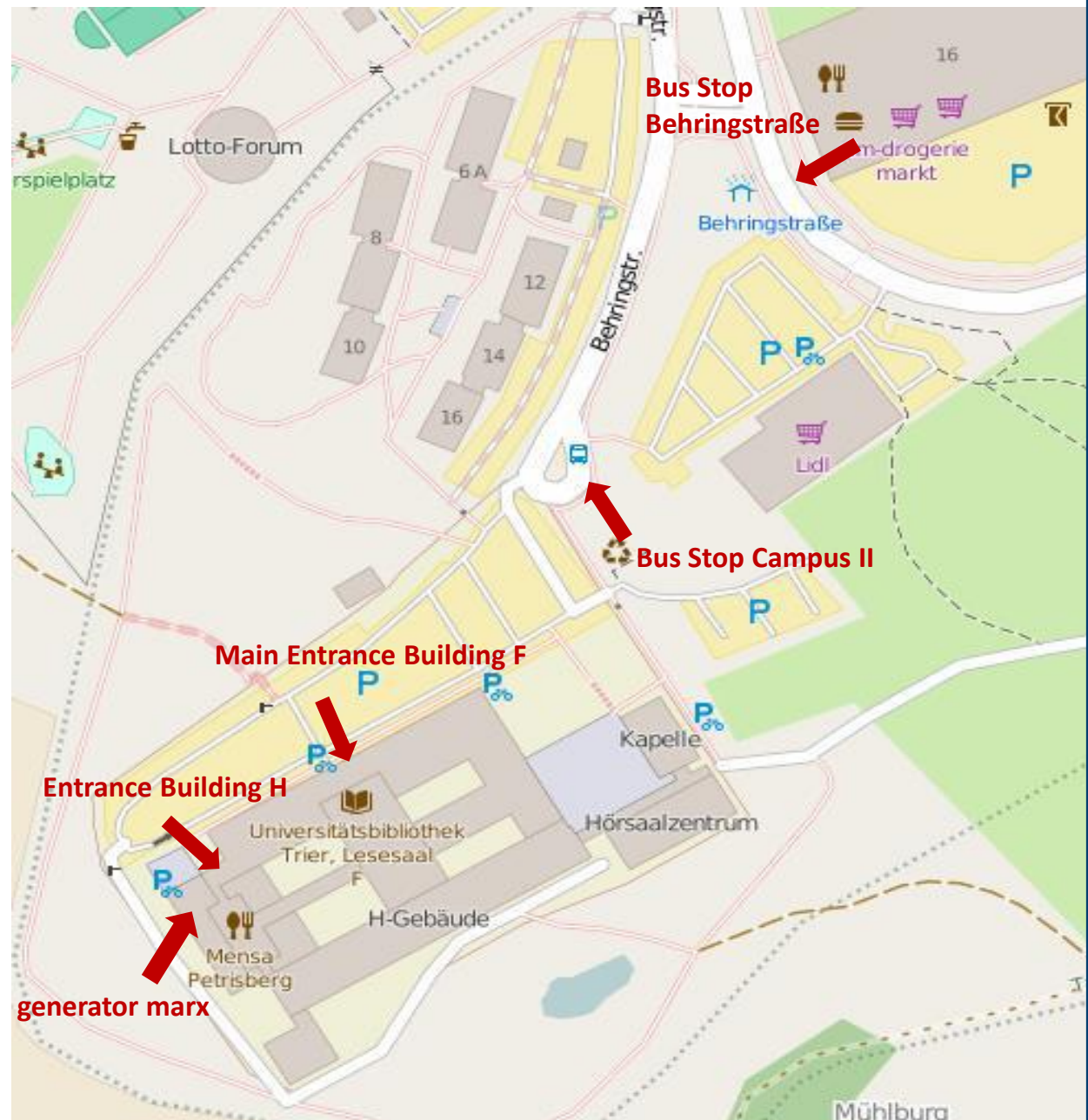
Trier University, Campus II (Building H)

Behringstraße 21

54296 Trier

Meeting Room:

H 714 (Building H, 7th Floor)



Schedule – Workshop on Performance Pay and Employee Outcomes

Thursday, December 1st 2022

19:00 Conference Dinner @Wirtshaus zur Glocke (Glockenstraße 12, 54290 Trier)

Friday, December 2nd 2022

09:00 – 09:15 Welcome and Opening

09:15 – 10:45 Session I

10:35 – 10:45 General Discussion

10:45 – 11:00 Coffee Break

11:00 – 12:30 Session II

12:20 – 12:30 General Discussion

12:30 – 13:30 Lunch Break

13:30 – 15:40 Session III

15:30 – 15:40 General Discussion

15:40 Farewell and Networking

Programme

09:00 – 09:15	Welcome and Opening
09:15 – 10:45	SESSION I: (<i>SESSION CHAIR: YUE HUANG</i>) Andreas Sintos: “Performance Pay and Work-Related Exhaustion: Evidence from Europe” (Co-authored by Michail Chletsos)) Enja Marie Herdejürgen: “Competition Format, Prize Money and Self-Selection: Empirical Evidence from Show Jumping” (Co-authored by Bernd Frick)
10:35 – 10:45	General Discussion
10:45 – 11:00	Coffee Break
11:00 – 12:30	SESSION II: (<i>SESSION CHAIR: LASZLO GOERKE</i>) Marco Clemens: “Bonuses, Profit Sharing and Job Satisfaction: the More the Better? German Survey Evidence” Nicole Andelic: “Performance-Related Pay and Stress: Sorting into Stress ”
12:20 – 12:30	General Discussion

Programme

12:30 – 13:30	Lunch Break
13:30 – 15:40	<p>SESSION III: (<i>SESSION CHAIR: ALBERTO PALERMO</i>)</p> <p>Sladana Krgović : “Equity-Based Compensation, Downwardly Rigid Wages and Financial Constraints”</p> <p>Joanna Tyrowicz: “Paying for Ideal Discretion: a Framed Field Experiment on Working Time Arrangements” <i>(Co-authored by Lucas van der Velde and Magdalena Smyk)</i></p> <p>Ezgi Kaya : “Performance-Related Pay and the UK Gender Pay Gap” <i>(Co-authored by Melanie Jones)</i></p>
15:30 – 15:40	General Discussion
15:40	Farewell and Networking

Organizational Information

Instructions for Presenters:

We scheduled 40 minutes for each paper:

- 30 minutes for your presentation and 10 minutes for questions.

The workshop is scheduled to take place on 2nd December at a venue suitable for an in-person event.

Abstracts

Session I:

Andreas Sintos, Michail Chletsos: *“Performance Pay and Work-Related Exhaustion: Evidence from Europe”*

Performance-related pay can have multilevel effects on employees, the employer-employee relationship, and companies as a whole. This study aims to provide an empirical investigation regarding the relationship between performance pay and work-related exhaustion. The paper uses data for a sample of countries from the 2015 EWCS and a novel instrumental variables strategy that generates internal instrumental variables in the presence of heteroscedasticity to account for the selection bias related to performance pay. The findings show that collective performance pay schemes implemented at either the department or company level reduce work-related exhaustion. In addition, the authors examine potential mechanisms through which performance-related pay can affect work-related exhaustion, and in accordance with authors' expectations, they show that supervisor support and recognition, fairness and job satisfaction are all positively affected by performance pay, which in turn can have a beneficial effect on work-related exhaustion.

Enja Marie Herdejürgen, Bernd Frick: *“Competition Format, Prize Money and Self-Selection: Empirical Evidence from Show Jumping”*

In this paper, we use data from the last three seasons before and the first seven seasons after a significant change in the competition format in professional show jumping to compare rider quality at particular events. We seek to answer the question whether (and to what extent) the introduction of a different competition format (“Grand Slam”) providing higher prize money and additional bonus payments to the winner of two (or even three) consecutive events in some of the world's most prestigious and lucrative show jumping events has resulted in an increase in the average quality of the starters. Our findings suggest that – in line with tournament theory – contests have indeed the anticipated self-selection effect.

Abstracts

Session II:

Marco Clemens: *“Bonuses, Profit Sharing and Job Satisfaction: the More the Better? German Survey Evidence”*

Job Satisfaction serves as one component of workers' utility and is crucially affected by the wage package. In this regard, the empirical literature focuses primarily on the effects of the incidence of individual performance-related pay. However, bonus and profit sharing payments are a standard component of the German wage package, too. The former is typically unrelated to any performance measure and may affect job satisfaction differently. In this study, I use German panel data from 1985 to 2020 to show that, even when total income is held constant, workers prefer jobs with (unconditional) bonus payments, mostly regardless of size. The findings are robust to a variety of specifications, including worker fixed effects, worker-in-firm fixed effects, and time-variant aggregate instruments. The correlation is strongest among employees who report a high level of reciprocity and work in small companies, and it is unaffected by risk-adversity, indicating that (unconditional) bonuses affect job satisfaction via mechanisms other than those commonly observed for (individual) performance-related-pay. In contrast to previous studies, I find only weak evidence for a relationship between profit sharing payments and job satisfaction after addressing endogeneity issues.

Nicole Andelic: *“Performance-Related Pay and Stress: Sorting into Stress ”*

In summary, the current experiment provides some evidence of PRP leading to small increases in physiological and self-reported stress even if participants are allowed to choose the contract which best matches their abilities. The current study did not find that PRP participants self-reported being more resilient to stress, however, even if this is the case in the labour market, these findings suggest that they are not protected from an increase in cortisol. This has implications for the employers using PRP contracts, who may find that the economic benefits of higher productivity are lost due to stress-related work absences among PRP workers.

Abstracts

Session III:

Sladana Krgović : *“Equity-Based Compensation, Downwardly Rigid Wages and Financial Constraints”*

During downturns, rigid average wages squeeze firms' cash flows forcing them to cut investment and hiring, due to financial constraints (Schoefer, 2021). Given a significant increase in the use of broad-based equity-compensation schemes, the question arises whether these effects of wage rigidity could be moderated by equity-based pay. Namely, could the ability to adjust the part of the total labor compensation paid in the form of future equity claims during downturns make employment more stable while making wages livable in the future? Using hand-collected data for 2000 firms from 2008 to 2020, I find that adjusting equity-pay can indeed moderate the financial effects of wage rigidity. The moderating role of equity pay is more significant when wages are more rigid, as I also show with a theoretical model.

Joanna Tyrowicz, Lucas van der Velde & Magdalena Smyk: *“Paying for Ideal Discretion: a Framed Field Experiment on Working Time arrangements”*

The notion of ideal worker necessitates being available at the discretion of the employer in terms of time. By contrast, the ability to set one's own schedule is widely considered a cornerstone of work-life balance and job satisfaction. We provide causal evidence on the pecuniary and social valuation of the discretion to decide about working schedules. We embed our study in the context of gender and compare employee-initiated and employer-initiated request for a change towards more discretion over working hours. We show that employer-initiated availability should be reflected in higher wages, but the premium is small. There appears to be no penalty to employee-initiated request for autonomy to decide about working schedules. While our results lend support to the ideal worker model, they cast doubt on explanations linking gender wage inequality to labor market flexibility.

Abstracts

Session III:

Ezgi Kaya, Melanie Jones: *“Performance-Related Pay and the UK Gender Pay Gap”*

This paper explores the role of performance-related pay to the UK gender pay gap at the mean and across the earnings distribution. Applying decomposition methods to data from the Annual Survey of Hours and Earnings, we find that performance-related pay is an important but neglected factor, with the lower probability of females being employed in performance-related pay jobs explaining 12 per cent of the observed mean gender pay gap and making a larger contribution than many work-related characteristics routinely included in studies of this nature. Driven by its influence in the private sector, employment in performance-related pay jobs is more important in explaining the gender pay gap at the top end of the wage distribution, consistent with gender differences in receipt of annual bonus payments. Gender differences in the reward to performance-related pay jobs have a further, but more modest, role in widening the national and private sector mean gender pay gap.

Participants

Last Name	First Name	Affiliation
Andelic	Nicole	University of Aberdeen
Becker	Björn	IAAEU Trier & Trier University
Bedaso	Fenet	IAAEU Trier & Trier University
Clemens	Marco	IAAEU Trier & Trier University
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Kaya	Ezgi	Cardiff Business School & Cardiff University
Krgović	Sladana	Bocconi University Milan

Participants

Last Name	First Name	Affiliation
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Sadowski	Dieter	IAAEU Trier & Trier University
Sintos	Andreas	University of Luxembourg
Tyrowicz	Joanna	University of Warsaw

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