

3. Respect and relational contracts. Instructions for the balanced respect treatment

We thank you for participating in this experiment. At the beginning of this session, you will receive an initial endowment of 5 Euros. During the course of this experiment, you can earn a further amount of money by accumulating points. The amount of points that you gain during the experiment depends on your decisions and the decisions of other participants. All the points that you will earn during the 12 periods of this experiment will be summed and exchanged into Euros at the end of the experiment according to the exchange rate of :

$$100 \text{ points} = 4 \text{ Euros}$$

At the end of the experiment, you will receive the amount that you earned during this experiment in addition to your initial endowment. Your earnings will be paid in cash in a separate room.

There are two roles in this experiment: there are employers and employees. The role of each participant is randomly allocated at the beginning of the experiment and each will keep the same role during the whole experiment. **The number of employers is the same as the number of employees.**

All participants have received an identification number which they will keep for the entire experiment. You will find your number on your screen.

Overview of each period

In each period, every employer can recruit one employee. The procedures are as follows.

1. Each period starts with a trading phase which lasts 3 minutes. During this phase, employers can submit contract offers which can be accepted by employees. When submitting an offer, the employer has to specify three things:

- which wage he offers
- which quality of work he desires
- and whether he wants to submit public offers to all employees or private offers to specific employees only.

Offers can be accepted by employees at any time during the trading phase.

2. Following the trading phase, each employee who has concluded a trade chooses the actual quality of his work.

3. After being informed on the quality of work chosen by his employee, the employer can decide to express his approval to his employee by means of signs of approval.

4. Lastly, each participant's earnings in the current period are determined.

Description of each stage

1. The trading phase on the market

Each period starts with a trading phase that lasts a maximum of 3 minutes. During this stage, each employer can conclude a contract with an employee. In order to do so, he can submit as many offers as he wishes.

Each employer can see the following screen:

Période: 3/12 Temps: 163 secondes

Vous êtes l'employeur 1

Les offres publiques

Employeur | Salaire | Quali

VOS offres privées

Salaire | Qualité | Employé

Historique

Période	Employé	Offre	Salaire	Qualité désirée	Qualité effective	Pouce	Votre gain	Gain de l'autre
1	-	-	-	-	-	-	0	-
2	-	-	-	-	-	-	0	-

Les employés actuellement sur le marché:
[1]

offre publique

offre privée

Quel est le numéro de l'employé à qui vous faites une offre privée ?

1

Quel salaire proposez-vous ?

0

Quelle qualité demandez-vous ?

7

[Valider](#)

Each employee can see the following screen:

Période: 3/12 Temps: 140 secondes

Vous êtes l'employé 1

Offres publiques

Employeur | Salaire | Qualité

Offres privées

Employeur | Salaire | Qualité

Historique

Période	Employeur	Offre	Salaire	Qualité désirée	Qualité effective	Pouce	Votre gain	Gain de l'autre
1	-	-	-	-	-	-	0	-
2	-	-	-	-	-	-	0	-

[J'accepte](#)

[J'accepte](#)

In the top left corner of the screen, you can see the number of the current period and the time remaining in this trading phase before the market closes.

How to submit an offer?

To submit an offer, the employer must indicate three elements on the left of the screen:

- a) First, the employer specifies whether he wants to submit a private or a public offer.

- Public offers

The public offers are communicated to all participants in the market. All employees see all public offers on their screens. A public offer can be accepted by any employee. An employer can also see all the public offers submitted by all employers.

To submit a public offer, the employer has to click on the « public offer » field.

- Private offers

A private offer is submitted by an employer to one employee only. Only this employee is informed about the offer and only this employee can accept the offer. No other employer or employee will be informed about that offer.

To submit a private offer, the employer must click on the « private offer » field. After that he specifies the identification number of the employee he wants to submit an offer to. Each employee keeps his identification number throughout the whole experiment.

- b) Once the employer has specified to whom he wants to submit an offer, he determines which wage he offers. This wage can take any value between 0 and 100.

- c) Finally, the employer determines the quality of work he desires. The quality of work can take any value between 1 and 10.

After the offer is completely specified, the employer clicks on the « validate » button. As long as the button is not clicked, the offer can be modified. After the employer has validated his offer, the offer is displayed in bold in the list of offers available on the market.

Each employer can submit **as many public and private offers as he wishes** during each period as long as there are employees available in the market. In the middle of the employer's screens the identification numbers of the remaining employees are kept visible.

All the public offers in the current trading phase are displayed on the left side of the employer's and employee's screens. It is possible to see which employer has submitted an offer, which wage he has offered, which quality of work he desires. All the employers have also an identification number that they keep throughout the whole experiment.

The private offers are displayed in the middle of the screen. It is possible to see on the employer's screen which private offers he has submitted to specific employees, with their identification numbers, which wage he has offered, and which quality of work he desires. One can see on the employee's screen which private offers he has been personally submitted in the current period, specifying the employers' identification numbers, the wage offered and the desired quality of work.

How accept an offer?

On the left of their screen, the employees can see the remaining public offers and the private offers they have received personally. To accept an offer, the employee must click on the row in which the offer is displayed to highlight it, and then click on the button « I accept » to validate his choice. Each offer can be accepted any time during the trading phase, after the first 20 seconds following the market opening.

In any given period, each employer and each employee can conclude at most one contract. Therefore, as soon as one of his offers has been accepted, all the other offers submitted by this employer are automatically cancelled. This employer is no longer allowed to submit other offers. The employer is informed on his offer that has been accepted and on the identification number of the employee who has accepted this offer.

After 3 minutes have elapsed, the trading phase is over even if all the employers and all the employees have not concluded a contract. If all the employees have concluded a contract before 3 minutes, the trading phase is shortened.

2. Determination of work quality

Following the trading phase, the employees who have concluded a contract choose which quality of work they supply to their respective employer. The quality chosen by the employee can differ from the quality desired by the employer.

The quality of work has to be between 1 and 10. Each quality level is associated to a cost. The higher the quality, the higher the cost to the employee, and the higher the employer's earnings (before deduction of wage), as indicated in the following Table:

Quality of work	1	2	3	4	5	6	7	8	9	10
Cost for the employee	0	1	2	4	6	8	10	12	15	18
Gain of the employer before deduction of wage	10	20	30	40	50	60	70	80	90	100

The employer is informed on the quality of work actually supplied by his employee. No other employer or employee will be informed about that decision.

3. Distribution of approval signs

After being informed on the quality of work actually supplied by their employee, the employers have the possibility to express their approval to their employee by addressing him approval signs. These approval signs are represented by raised thumbs, as indicated in the following screenshot:



The employer can send between 0 and 5 thumbs to his employee. The employee is informed on the number of thumbs sent by his employer.

Receiving thumbs does not affect the employee's payoff. They only aim at expressing the employer's approval.

Each thumb addressed to an employee costs 1 point to the employer. The employer must enter a value between 0 and 5 and validate his decision.

4. Calculation of payoffs

- The employer's payoff in a given period:

- If the employer has not concluded a trade, the employer receives a payoff of 0 point.
- If the employer has concluded a trade, his payoff depends on the wage he has offered, the quality supplied by the employee and the number of approval signs sent to the employee. The employer's payoff is therefore

determined as follows:

$$\text{Employer's payoff} = (10 * \text{quality of work}) - \text{wage} - \text{cost of thumbs}$$

- The employee's payoff in a given period:

- If the employee has not concluded a trade, the employee receives a payoff of 5 points.
- If the employee has concluded a trade, his payoff is equal to the wage he has received minus the cost of the quality of work supplied. The employee's payoff is therefore determined as follows:

$$\text{Employee's payoff} = \text{wage} - \text{cost of the quality of work supplied}$$

Note that it may happen that employers and employees can suffer losses in a given period. If any, the losses will be deducted from your initial endowment of 5 Euros or from the gains realized in the other periods.

Every one is informed of his own payoff and of the partner's payoff at the end of the current period.

5. End of the period

A summary table appears on your screen and the screen of the participant you have concluded a contract with, with the following information:

- the identification number of the employer or the employee
- the accepted wage
- the quality of work desired by the employer
- the quality of work supplied by the employee
- the number of thumbs sent by the employer to his employee
- your earnings for the current period
- the earnings of your partner for the current period, if any.

A new period starts automatically.

6. Supplementary indicative question

At the beginning of each period, each employee can see an indicative question on this screen. He must indicate if he is indifferent between all the employers or if he would prefer to receive a private offer from a specific employer. In this case, he has to indicate the identification number of this employer.

The answer to this question is purely **indicative** and it is communicated to none of the other participants, neither the employers, nor the employees. It has no influence on the offers received or on the payoffs.

To become familiar with the rules of this experiment, we invite you to read these instructions again and to answer the questions that will be displayed on your screen.

Next, you will perform **3 trials of the trading phase** only (i.e., without choosing the quality of work to supply nor the approval signs). During these trials no money can be earned. For these trials you will be assigned a provisional identification number.

Following the 3 trials, the 12 periods that compose this experiment will start. The definitive identification numbers will be assigned for the rest of the experiment.

Please note that communication between participants is strictly prohibited during the experiment. Communication will lead to the exclusion from the experiment. In case you have any question, do not hesitate to raise your hand and we will answer your question in private.
