PANTHÉON-ASSAS UNIVERSITÉ PARIS

PANTHÉON-ASSAS UNIVERSITÉ PARIS | LEMMA
Laboratoire d'économie mathématique et de microéconomie appliquée

SÉMINAIRE

VAGUE BY DESIGN: PERFORMANCE EVALUATION AND LEARNING FROM WAGES

07 May 2024
Lemma - Salle Maurice Desplas 4 rue Blaise Desgoffe 75006 PARIS

Séminaire du Lemma

Le LEMMA organise un séminaire, sur le thème ***« Vague by Design: Performance Evaluation and Learning from Wages »*** le mardi 7 mai à 11h.

Franz OSTRIZEK (Sciences Po)

Résumé :

We study a dynamic principal-agent setting in which both sides learn about the importance of effort. The quality of the agent's output is not observed directly. Instead, the principal jointly designs an evaluation technology and a wage schedule. More precise performance evaluation reduces current agency costs but promotes learning, which is shown to increase future agency costs. As a result, the optimal evaluation technology is noisy. Information that is purely informative about effort is revealed, while the principal optimally shrouds information about the agent's ability. Under strong complementarities between effort and ability, the optimal evaluation features lower-censorship. In the binary case, it is both imprecise and tough: a bad performance is always sanctioned, but a good one is not always recognized.