

# YOUR LOSS IS MY GAIN: A RECRUITMENT EXPERIMENT WITH FRAMED INCENTIVES

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## **Abstract**

As predicted by loss aversion, numerous studies find that penalties elicit greater effort than bonuses, even when the underlying payoffs are identical. However, loss aversion also predicts that workers will demand higher wages to accept penalty contracts. In six experiments I recruited workers online under framed incentive contracts to test the second prediction. None find evidence for the predicted distaste for penalty contracts. In four experiments penalty framing actually increased the job offer acceptance rate relative to bonus framing. I rule out a number of explanations, most notably self-commitment motives do not seem to explain the finding. Two experiments that manipulate salience are successful at eliminating the effect, but do not significantly reverse it. Overall, loss aversion seems to play surprisingly little role in this setting. The results also highlight the importance of behavioral biases for infrequent, binding decisions such as contract take-up. (JEL: D03, J41, D86)

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*The editor in charge of this paper was Nicola Gennaioli.*

Acknowledgments: I acknowledge financial support from STICERD, Stiftelsen Lars Hiertas Minne, Stiftelsen Carl Mannerfelts fond and Handelsbanken's Research Foundations, grant no: B2014-0460:1. I thank many people for helpful discussions, particularly Philippe Aghion, Oriana Bandiera, Roland Bénabou, Tim Besley, Gharad Bryan, Tom Cunningham, Ernesto Dal Bó, Mathias Ekström, Florian Englmaier, Erik Eyster, Greg Fischer, Maitreesh Ghatak, Paul Heidhues, Dean Karlan, Matthew Levy, George Loewenstein, Rocco Macchiavello, Torsten Persson and Matthew Rabin, as well as many seminar and conference participants. All errors are my own.

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