



HELLENIC REPUBLIC
**National and Kapodistrian
University of Athens**
— EST. 1837 —

Department of Economics

Research Seminar Series in Economic Sciences, 2021-2022

Speaker: Eva Chalioti, *Senior Lecturer and Associate Chair at the Department of Economics of Yale University*

Webpage: <https://sites.google.com/view/evachalioti/homecv>



Title: ["Group formation: Contribute much with effort and little with ability"](#)

Date & Time: Wednesday, November 24th, 2021, 19:00 - 20:30

Webex Link: <https://uoa.webex.com/uoa/j.php?MTID=m6f2d44769f2375bf2090852c432d9ac6>

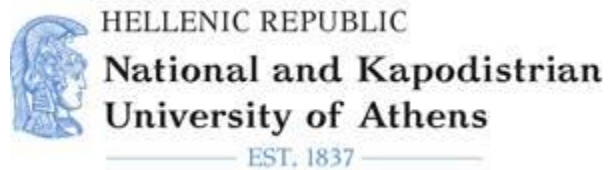
Url: <http://www.econ.uoa.gr/ereynhtika-seminaria-research-seminars.html>

Abstract: This paper studies compensation contracts offered to risk-averse agents when an agent's individual production is influenced by her colleagues' effort and unknown ability. We examine the conditions under which a principal who commits herself to a life-time salary path induces an agent to help or sabotage her colleague. The principal may optimally allow for little sabotage in order to decrease the required insurance and to shift agent's focus on her own project. This paper also discusses group formation. It argues that firm profitability increases when production depends much on agents' effort and little on their (unknown) abilities. If commitment is not feasible, agents have incentives to help or sabotage because of career concerns. Such reputational incentives to influence market perception about the current peer's ability arise for permanently paired agents but also for agents who will be paired with another worker in the next period.

Organizers: Dimitris Kenourgios, *Professor*
George Dotsis, *Assoc. Professor*
Frago Kourandi, *Assist. Professor*

Thank you.

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