



**ORIGINAL RESEARCH PAPER**

**Management**

**TRANSFORMING HR PRACTICES WITH BEHAVIORAL ECONOMICS**

**KEY WORDS:** Behavioral Economics, Dynamic Inconsistency, Compensation Design, HR practices

**Sushmita Choudhury Sen**

Research Scholar, Kolhan University, Chaibasa.

**ABSTRACT**

Behaviors Economics is presently a thriving field of research for many researchers. It offers a descriptive model of decision making which is entirely different from the traditional decision making models of economics. This research paper is an attempt to bring insights from Behavioral Economics which can help Human Resource personnel to address the issues like Dynamic Inconsistency and incentive design strategies. The author argues that the insight from Behavioral Economics can transform HR practices. HR managers and leaders stand to benefit from the emerging evidence from the lab and field of behavioral economics that calls for a rethinking of traditional decision making model.

**INTRODUCTION**

Behavioral economics, a field of economics that integrates economics and psychology in analyzing human Behavior, is important for explaining why individuals' decisions and Behavior may not reflect their best interests. A review of the literature has found that Behavioral economics has significance for its power to explain individual psychological aspects of the economic decision-making process, both among individuals and institutions. On the contrary the standard model of decision making have different characteristics. It is based on the believe that every individual is a rational thinker and decision maker and their preferences are consistent over a period of time and space, their choices are not influences by how the decisions are framed. But evidences are found that human preferences and beliefs are inconsistent (Della Vigna, 2009; Della Vigna & Malmendier, 2006; Rabin, 1998; Thaler, 2000); and choices are influenced by how the decisions are taken.

Behavioral Economics is a descriptive model of decision making which is just the opposite of Traditional Decision making model (Kahneman & Tversky, 1979). It is developed over a period of decade with the contribution of diverse group of economist and psychologists. Although the origin of BE is as old as economics. Technically speaking, behavioral economics was first acknowledged by Adam Smith back in the eighteenth century, when he noted that human psychology is imperfect and that these imperfections could have an impact on economic decisions. This idea was mostly forgotten, however, until the Great Depression, when economists such as Irving Fisher and Vilfredo Pareto started thinking about the "human" factor in economic decision-making as a potential explanation for the stock market crash of 1929 and the events that transpired after. Work on bounded rationality (Simon, 1955, 1957; Gabaix & Laibson, 2000) along with the psychological foundations of decision-making in the form of heuristics and biases programme (Kahneman & Tversky, 1979; Tversky & Kahneman, 1974) have fundamentally shaped the field.

The approach to the application of BE in real-world HR settings underscores the complexity of the problems and recognizes the possibility that problems are often ill-defined: goals are not well defined or knowledge about alternatives is limited. Furthermore, uncertainty and lack of knowledge about outcomes present a complex environment that Savage (1954) considered 'large world'. By contrast, 'small worlds' are characterized by knowledge of probabilities, outcomes, and consequences. It is within this large world' HR problems of interest that I draw attention to the significance of choice architecture, norms, social arrangements and intrinsic motivation of employees (i.e., employees undertaking activities in the absence of external rewards), among other factors that are often ignored in HR programs and policies. In what follows, I present the BE concepts that are relevant from HR management perspective.

**Behavioral Challenges for the HR Professionals**

**Dynamic Inconsistency**

Research into intertemporal choice and consistency of preferences over time has revealed violations of standard assumptions in neoclassical economics about preferences of individuals being time consistent. There is considerable evidence showing that when faced with an intertemporal choice, individuals demonstrate *time-inconsistent preferences* or *dynamic inconsistency* (Loewenstein & Prelec, 1991, 1992). For example, when choosing between 'Rs. 1,000 today' or 'Rs. 1,100 tomorrow', an individual may choose 'Rs. 1,000 today' but when offered a choice between 'Rs. 1,000, 365 days from today' and 'Rs. 1,100, 366 days from today', the individual may choose 'Rs. 1,100, 366 days from today'. Similarly, an individual may choose 'Rs. 1,100 tomorrow' in the first part of the problem and choose 'Rs. 1,000, 365 days from today' in the second part of the choice problem above. Such choices demonstrate time-inconsistent preferences because had the individual been time consistent, the choices in both the options would have been the same (Prelec & Loewenstein, 1997). Dynamic inconsistency can be imagined as a decision-maker having different 'selves' pertaining to different points of time (e.g., present self and future self) that do not agree with each other. With time-inconsistent preferences or dynamic inconsistency, the assumption of constant discounting is replaced by alternative specifications such as hyperbolic discounting and quasi-hyperbolic discounting (Laibson, 1997) and how individuals weigh costs and benefits depends on the time horizon or delay in receiving rewards. In an organization, members constantly deal with self-control problems and the consequences of the inability to manage self-control are considerable (Lian et al., 2014).<sup>3</sup> For instance, when an employee is contemplating putting in effort in the present, the costs of effort may appear large and the rewards may appear small. By contrast, the costs of effort may appear small and rewards may appear high if he/she is contemplating work in the future. Consequently, different 'selves' of the employee rationalize whether to work in the present or the future (imagine a tussle between the 'present-self' and the 'future-self' of the same individual).<sup>4</sup> This results in a self-control problem that the employees should not only be cognizant of but also be sophisticated enough to address. In essence, mitigating such self-control problems may not only improve productivity but also be of help to the employees themselves.

**Incentive Design**

Although it is critical to align worker compensation with job expectations and organizational goals, it must be recognized that higher wages do not necessarily motivate employees (Lal & Srinivasan, 1993). Employees regulate their behavior in a manner that optimizes between the wages they receive and the effort they exert. In this mechanism, employees are anchored to their 'reference wage', and an increase in wages may influence effort if the wages are below the reference

wage (Fehr & Goette, 2007) Incentive-based compensation plans (*incentive design*), that is, compensation conditional on meeting specific conditions, are widely deployed by organizations in a bid to influence employee performance (Churchill et al., 1985; Chung et al., 2014). Although they vary from piece-rate schemes to more sophisticated designs, the incentive designs are in essence extrinsic motivation.<sup>6</sup> In industries such as apparel manufacturing, despite improvements in manufacturing systems, decades-old compensation systems such as piece-rate (Lazear, 2000) and group piece rates persist. Nevertheless, overtime is preferred to pay-for-time by both workers and managers in several manufacturing sectors.

A challenge for HR professionals in the context of incentive design is that the widely followed practices may not result in desired outcomes or these incentives may backfire. Why would certain incentives work and certain work, and whether incentives backfire is a topic that stands to gain from insights from BE.

Whether monetary compensation always generates the intended effects has been debated in psychology and economics literature over decades. In a well-known study, Titmuss (1970) showed that monetary compensation for blood donations negatively affected donors' willingness to donate blood as the monetary incentive undermined their sense of duty to the community. It has also been argued that paying people to donate blood might affect the quality of blood as it attracts risky donors (e.g., those concealing their infectious disease) who are motivated by the monetary incentives (Goette et al., 2010).

### **Behavioral Insights for Solutions Commitment Devices**

How can HR managers tackle the problem of dynamic inconsistency? The fundamental way in which the self-control problem (a class of dynamic inconsistency) of employees be tackled is to change the immediate costs and benefits of the effort. At a basic level, regular compensations (instead of the month-end pay cycle, say) can be used to reduce the delay because it makes rewards to effort more immediate compared to business as usual. In addition, disproportionate penalties such as imposing work targets or artificial deadlines and penalizing heavily for even small deviations have been propounded as a solution (Kaur et al., 2010, p. 625) given their influence on increasing the cost of shirking significantly (O'Donoghue & Rabin, 2006).

As a solution to the self-control problem of individuals, several behavioral experiments have demonstrated the effectiveness of 'commitment devices'—mechanisms that prevent peoples' 'future selves' from making unwise decisions. For instance, commitment devices have worked in the case of procrastination in assignment submission by students (Ariely & Wertenbroch, 2002); solving under-saving (Ashraf et al., 2006); smoking (Giné et al., 2010);

HR managers can improve their understanding of the salience of group identities (Chen & Li, 2009), and social norms of groups or 'tribe' could be employed to influence employee behavior to align with the organization's goals. In a recent study, Afridi et al. (2020) simulate assembly line production in an experimental setup in which workers exerted real effort in teams whose members are either socially connected or unconnected and are paid according to the group output. They found that group output significantly increased by 18%, and coordination improved by 30%–39% when workers are socially connected with their co-workers. In another study on the effect of team bonuses, Friebel et al. (2015) found a positive effect of team bonuses on sales and show the importance of complementarities within teams that improve operational efficiency. While strategies aimed at relying on group cohesion or social networks within an organization may

be promising, it is equally important to recognize that there could be considerable heterogeneities: in personalities (Becker et al., 2012; Hamilton et al., 2003); risk attitudes (Holt & Laury, 2002); cognitive reflection (Corgnet et al., 2015); time preferences (Frederick et al., 2002; Henrich et al., 2001, 2004) and pro-sociality (Fischbacher et al., 2001), among others. This is akin to prescriptions of conventional personnel economics (Lazear & Shaw, 2007), some behavioral solutions are likely to have a positive effect on the performance of employees with a particular predisposition but can be detrimental for others. Further, within the workplace, it is possible for pro-social behavior such as altruism (Bénabou & Tirole, 2006) to evolve under a set of conditions such as the existence of strategic complementarities among co-workers (Rotemberg, 1994).

Most importantly, HR managers should note that any innovative incentive design with the intention to increase productivity may be futile if there are trust issues between employees and management. Concerns about wage cuts following greater productivity may result in employees not increasing effort (Bloom & Van Reenen, 2011). Perceptions of the fairness of wages are an important consideration for workers (Cohn et al., 2015).

### **CONCLUSION**

In this article, I have delved into insights from Behavioral economics for solving two fundamental problems that affect workplaces across the world—*dynamic inconsistency* and *incentive design*. Addressing these challenges is of considerable importance for HR professionals. Insights from BE suggest that self-control problem (a class of dynamic inconsistency problem) can be addressed by making available appropriate 'commitment devices' to employees specific to where the self-control problem hurts the organization the most. Furthermore, while introducing commitment devices, there is the considerable potential of employing norms and reciprocity in the workplace. There is a need to understand sensitivities to extrinsic motivation in a setting of intrinsic motivation. Furthermore, there is significant variation in impacts that could be had with not just the value of the gift but also 'the thought that goes behind the gift'. While designing policies to address self-control issues, it should be borne in mind that there is no blanket solution to this problem. Work 'environment cues' (Laibson, 2001) may play an important role in restructuring the costs and benefits of effort in the present and the future, and hence the effectiveness of the interventions to mitigate self-control issues of employees. It is likely that underlying preferences of employees and their Behavior might be mediated by environmental cues. For instance, firms may cue different norms that may not be directly observable (Carpenter et al., 2005). Insights from BE also inform HR professionals about ideas to improve incentive designs. Findings from BE suggest that pro-social motivation between co-workers in socially connected teams is a fertile setting for HR managers to introduce incentive designs. Cumulative evidence from Behavioral experiments have established that financial incentives are not only ineffective but also counterproductive when employees are intrinsically motivated (Frey & Oberholzer-Gee, 1997). It is fascinating that BE also offers insights into an aspect of biases in performance evaluation. For instance, Swift et al. (2013) find that HR managers may be influenced by high nominal performance as evidence of high ability and fail to discount the ease of performance and candidates benefiting from favorable situations are more likely to be admitted and promoted than their equivalently skilled peers. Insights from BE have the potential to inform and shape the strategies of HR in any organization in a manner that serves its goals and mission. More importantly, there is considerable scope to apply these insights across the continuum of HR activities. There is also a need to develop a culture of evidence-based HR practice (Rousseau & Barends, 2011). Given the significant role of HR-professionals in the

success of any organization, a deeper understanding of how BE principles can be applied to improve existing HR programs is critical. An added advantage of the BE paradigm put to practice is that it encourages evidence-based and scientific evaluation of what works and what does not. Although in this article I focus on two class of Behavioral issues that need to be addressed, there are several other biases and heuristics that can be strategically employed, and in innovative combinations to tackle 'large world' HR problems. For instance, employees are also likely to have several other Behavioral biases such as *myopic loss aversion*, which may result in their making decisions 'one day at a time' (Camerer et al., 1997). There is no doubt that several aspects of HR management including hiring, employee motivation and employee development stand to benefit from rich insights from BE. Therefore, an improved understanding of how BE can transform HR practices of organizations have significant strategic implications. As organizations learn to rethink and redesign the choice architecture to nudge employees at the workplace, organizations need to assess the possibilities of developing a culture of evidence-based evaluation of HR practices that could be of strategic relevance. Several field experiments have been providing considerable insights into the impact of broader managerial practices (Bloom et al., 2013) as well as minor changes in incentive structures. HR managers should adopt similar frameworks for constant evaluation of the impacts of the interventions in different settings. BE promises to be a powerful toolbox for HR managers and leaders. Nevertheless, the limitations of BE as an aide to attaining organizational goals should be recognized and the evidence on whether interventions have been effective in addressing issues of dynamic inconsistency and incentive design should be systematically documented and widely disseminated among HR professionals.

**REFERENCES**

1. Afridi, F., Dhillon, A., Li, S. X., & Sharma, S. (2020). Using social connections and financial incentives to solve coordination failure: A quasi-field experiment in India's manufacturing sector. *Journal of Development Economics*, 144, 102445.
2. Ainslie, G. (1975). Spacious reward: A behavioral theory of impulsiveness and impulse control. *Psychological Bulletin*, 82, 463-496.
3. Akerlof, G. A. (1982). Labor contracts as partial gift exchange. *Quarterly Journal of Economics*, 97, 543-569.
4. Ariely, D. (2008). Predictably irrational: The hidden forces that shape our decisions. HarperCollins.
5. Ariely, D., & Wertenbroch, K. (2002). Procrastination, deadlines, and performance: Self-control by precommitment. *Psychological Science*, 13(3), 219-224.
6. Ashraf, N., Karlan, D., & Yin, W. (2006). Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines. *Quarterly Journal of Economics*, 121(2), 635-672.
7. Babcock, L., & Loewenstein, G. (1997). Explaining bargaining impasse: The role of self-serving biases. *Journal of Economic Perspectives*, 11, 109-126. Bandiera, O., Barankay, I., & Rasul, I. (2005). Social preferences and the response to incentives: Evidence from personnel data. *Quarterly Journal of Economics*, 120(3), 917-962.
8. Becker, A., Deckers, T., Dohmen, T., Falk, A., & Kosse, F. (2012). The relationship between economic preferences and psychological personality measures. *Annual Review of Economics*, 4, 453-478.
9. Bénabou, R., & Tirole, J. (2006). Incentives and prosocial behavior. *American Economic Review*, 96, 1652-1678.
10. Bhattacharya, J., Garber, A. M., & Goldhaber-Fiebert, J. D. (2017). Nudges in exercise commitment contracts: A randomized trial (Becker Friedman Institute for Research in Economics Working Paper). <https://ssrn.com/abstract=3048991>; <http://dx.doi.org/10.2139/ssrn.3048991>
11. Bloom, N., & Van Reenen, J. (2011). Human resource management and productivity. *Handbook of Labor Economics*, 4, 1697-1767. Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., & Roberts, J. (2013). Does management matter? Evidence from India. *Quarterly Journal of Economics*, 128(1), 1-51.
13. Boning, B., Ichniowski, C., & Shaw, K. (2007). Opportunity counts: Teams and the effectiveness of production incentives. *Journal of Labor Economics*, 25, 613-650.
14. Burks, S., Carpenter, J., & Goette, L. (2009). Performance pay and worker cooperation: Evidence from an artefactual field experiment. *Journal of Economic Behavior & Organization*, 70(3), 458-469.
15. Camerer, C. (2003). Behavioral game theory: Experiments in strategic interaction. Princeton University Press.
16. Camerer, C. F., & Malmendier, U. (2007). Behavioral organizational economics. In P. Diamond & H. Vartiainen (Eds.), *Behavioral economics and its applications*. Princeton University Press.
17. Camerer, C., Babcock, L., Loewenstein, G., & Thaler, R. (1997). Labor supply of New York city cabdrivers: One day at a time. *Quarterly Journal of Economics*, 112(2), 407-441.
18. Camerer, C., Loewenstein, G., & Prelec, D. (2005). Neuroeconomics: How neuroscience can inform economics. *Journal of Economic Literature*, 43(1), 9-64.

19. Carpenter, J., Burks, S., & Verhoogen, E. (2005). Comparing students to workers: The effects of social framing on behavior in distribution games. In J. Carpenter, G. Harrison, & J. List (Eds.), *Field experiments in economics (research in experimental economics)* (pp.261-290). JAI/Elsevier. Charness, G. (2004). Attribution and reciprocity in an experimental labor market. *Journal of Labor Economics*, 22(3), 665-688. Charness, G., & Gneezy, U. (2009). Incentives to exercise. *Econometrica*, 77(3), 909-931.
21. Charness, G., & Rabin, M. (2002). Understanding social preferences with simple tests. *Quarterly Journal of Economics*, 117(3), 817-869.
22. Chen, Y., & Li, S. X. (2009). Group identity and social preferences. *American Economic Review*, 99(1), 431-457.
23. Chung, D. J., & Narayandas, D. (2015). Incentives versus reciprocity: Insights from a field experiment (Working Paper No. 15-084). Harvard Business School. Chung, D., Steenburgh, T., & Sudhir, K. (2014). Do bonuses enhance sales productivity? A dynamic structural analysis of bonus-based compensation plans. *Marketing Science*, 33(2), 165-187.
24. Churchill, C., Ford, N., Hartley, S., & Walker, O. (1985). The determinants of salesperson performance: A metaanalysis. *Journal of Marketing Research*, 22(2), 103-118.
25. Cohn, A., Fehr, E., & Goette, L. (2015). Fair wages and effort provision: Combining evidence from a choice experiment and a field experiment. *Management Science*, 61, 1777-1794.
26. Corgnet, B., Espin, A. M., & Hernan-Gonzalez, R. (2015). The cognitive basis of social behavior: Cognitive reflection overrides antisocial but not always prosocial motives. *Frontiers in Behavioral Neuroscience*, 9, 287.
27. Deci, E. L., & Ryan, R. M. (1975). Intrinsic motivation. Wiley Online Library. Della Vigna, S. (2009). Psychology and economics: Evidence from the field. *Journal of Economic Literature*, 47(2), 315-372.
28. Della Vigna, S., & Malmendier, U. (2006). Paying not to go to the gym. *American Economic Review*, 96(3), 694-719.
29. Ebert, P., & Freibichler, W. (2017). Nudge management: Applying Behavioral science to increase knowledge worker productivity. *Journal of Organization Design*, 6(2017). <https://doi.org/10.1186/s41469-017-0014-1>
30. Eisenberger, R., & Cameron, J. (1996). Detrimental effects of reward. Reality or myth? *American Psychologist*, 51, 1153-1166.
31. Espin, A. M., Reyes-Pereira, F., & Ciria, (2017). Organizations should know their people: A behavioral economics approach. *Journal of Behavioral Economics for Policy*, 1, 41-48.
32. Fehr, E., & Gächter, S. (2000a). Fairness and retaliation: The economics of reciprocity. *Journal of Economic Perspectives*, 14, 159-181.
33. Fehr, E., & Gächter, S. (2000b). Cooperation and punishment in public goods experiments. *American Economic Review*, 90, 980-994.
34. Fehr, E., & Gächter, S. (2002). Do incentive contracts undermine voluntary cooperation? (IEW Working Paper No. 34). University of Zurich.
35. Fehr, E., & Goette, L. (2007). Do workers work more if wages are high? Evidence from a randomized field experiment. *American Economic Review*, 97, 298-317.
36. Fehr, E., Goette, L., & Zehnder, C. (2009). A behavioral account of the labor market: The role of fairness concerns. *Annual Review of Economics*, 1(1), 355-384.
37. Fehr, E., Gächter, S., & Kirchsteiger, G. (1996). Reciprocity as a contract enforcement device. *Econometrica*, 55, 833-860.
38. Fehr, E., & Gächter, S. (1998). Reciprocity and economics: The economic implications of Homo Reciprocans. *European Economic Review*, 42, 845-859. Fischbacher, U., Gächter, S., & Fehr, E. (2001). Are people conditionally cooperative? Evidence from public goods experiment. *Economics Letters*, 71, 397-404.
40. Fleming, J., & Harter, J. (2009). The next discipline: Applying behavioral economics to drive growth and profitability (pp. 1-12). Gallup Consulting.
41. Frederick, S., Loewenstein, G., & O'donoghue, T. (2002). Time discounting and time preference: A critical review. *Journal of Economic Literature*, 40(2), 351-401.
42. Friebe, G., Heinz, M., Kruger, M., & Zubanov, N. (2015). Team incentives and performance: Evidence from a retail chain (IZA Discussion Paper No. 9316). IZA.
43. Frey, B. (2017). Policy consequences of pay-for performance and crowding-out. *Journal of Behavioral Economics for Policy*, 1(1), 55-59.
45. Frey, B. S., & Jegen, R. (2001). Motivation crowding theory: A survey of empirical evidence. *Journal of Economic Surveys*, 15(5), 589-611.
46. Frey, B., & Oberholzer-Gee, F. (1997). The cost of price incentives: An empirical analysis of motivation crowding out. *American Economic Review*, 87(4), 746-755.
47. Gabaix, X., & Laibson, D. (2000). A boundedly rational decision algorithm. *American Economic Review*, 90(2), 433-438.
48. Gagne, M., & Deci, E. L. (2005). Self-determination theory and work motivation. *Journal of Organizational Behavior*, 26(4), 331-362.
49. Gaurav, S. (2019). Policies needs a cautious nudge. *Economic & Political Weekly*, 54(39), 13-16.
50. Gigerenzer, G. (1996). On narrow norms and vague heuristics: A reply to Kahneman and Tversky. *Psychological Review*, 103(3), 592-596.
51. Gigerenzer, G. (2007). Gut feelings: The intelligence of the unconscious. Viking Press.
53. Gigerenzer, G. (2015). On the supposed evidence for libertarian paternalism. *Review of Philosophy and Psychology*, 6, 363-383.
54. Gigerenzer, G., & Selten, R. (2001). Bounded rationality: The adaptive toolbox. MIT Press.
55. Gigerenzer, G., & Gaissmaier, W. (2011). Heuristic decision making. *Annual Review of Psychology*, 62, 451-482.
56. Giné, X., Karlan, D., & Zinman, J. (2010). Put your money where your butt is: A commitment contract for smoking cessation. *American Economic Journal: Applied Economics*, 2(4), 213-235.
57. Gneezy, U., & Rustichini, A. (2000). Pay enough or don't pay at all. *Quarterly Journal of Economics*, 115(3), 791-810.
58. Gneezy, U., & Rustichini, A. (2004). Gender and competition at a young age. *American Economic Review*, 94(2), 377-381.
59. Goette, L., Stutzer, A., & Frey, B. M. (2010). Prosocial motivation and blood

- donations: A survey of the empirical literature. *Transfusion Medicine & Hemotherapy*, 37, 149–154.
61. Halpern, S. D., Asch, D. A., & Volpp, K. G. (2012). Commitment contracts as a way to health. *British Medical Journal*, 344(1), e522.
  62. Hamilton, B. H., Nickerson, J. A., & Owan, H. (2003). Team incentives and worker heterogeneity: An empirical analysis of the impact of teams on productivity and participation. *Journal of Political Economy*, 111, 465–497.
  63. Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., & Gintis, H. (2004). Foundations of human sociality: Economic experiments and ethnographic evidence from fifteen small-scale societies. Oxford University Press.
  64. Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H., & McElreath, R. (2001). In search of homo economicus: Behavioral experiments in 15 small-scale societies. *American Economic Review*, 91(2), 73–78.
  65. Heukelom, F. (2011). Building and defining behavioral economics. *Research in the History of Economic Thought and Methodology*, 29(1), 1–29.
  66. Himmelstein, D. U., Ariely, D., & Woolhandler, S. (2014). Pay-for-performance: Toxic to quality? Insights from behavioral economics. *International Journal of Health Services*, 44(2), 203–214.
  67. Holt, C. A., & Laury, S. K. (2002). Risk aversion and incentive effects. *American Economic Review*, 92(5), 1644–1655.
  68. Kaur, S., Kremer, M., & Mullainathan, S. (2010). Self-control and the development of work arrangements. *American Economic Review*, 100(2), 624–628.
  69. Kahneman, D. (2011). Thinking, fast and slow. Farrar, Straus & Giroux.
  70. Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 313–327.
  71. Khadjavi, M., & Lange, A. (2013). Prisoners and their dilemma. *Journal of Economic Behavior & Organization*, 92, 163–175.
  72. Kohn, A. (1993). Why incentive plans cannot work. *Harvard Business Review*, 71, 54–63.
  73. Kube, S., Maréchal, M., & Puppe, C. (2012). The currency of reciprocity: Gift exchange in the workplace. *American Economic Review*, 102(4), 1644–1662.
  74. Laibson, D. (1997). Golden eggs and hyperbolic discounting. *Quarterly Journal of Economics*, 112(2), 443–477.
  75. Laibson, D. (2001). A cue-theory of consumption. *Quarterly Journal of Economics*, 116(1), 81–119.
  76. Lal, R., & Srinivasan, V. (1993). Compensation plans for single- and multi-product salesforces: An application of the Holmstrom-Milgrom model. *Management Science*, 39(7), 777–793.
  77. Lazear, E. (2000). Performance pay and productivity. *American Economic Review*, 90, 1346–1361.
  78. Lazear, E. P., & Shaw, K. L. (2007). Personnel economics: The economist's view of human resources. *Journal of Economic Perspectives*, 21(4), 91–114.
  79. Lian, H., Brown, D. J., Ferris, D. L., Liang, L. H., Keeping, L. M., & Morrison, R. (2014). Abusive supervision and retaliation: A self-control framework. *Academy of Management Journal*, 57(1), 116–139.
  80. Lian, H., Yam, K. C., Ferris, D. L., & Brown, D. (2017). Self-control at work. *Academy of Management Annals*, 11(2). <https://doi.org/10.5465/annals.2015.0126> List, J. (2004). Young, selfish and male: Field evidence of social preferences. *The Economic Journal*, 114, 121–149.
  81. Loewenstein, G. (1999a). Because it is there: The challenge of mountaineering for utility theory. *Kyklos*, 52(3), 315–344.
  82. Loewenstein, G. (1999b). Experimental economics from the vantage-point of Behavioral economics. *Economic Journal*, 109(453), F25–F34.
  83. Loewenstein, G., & Prelec, D. (1991). Negative time preference. *American Economic Review*, 81(2), 347–352.
  84. Loewenstein, G., & Prelec, D. (1992). Anomalies in intertemporal choice: Evidence and an interpretation. In G. Loewenstein & J. Elster (Eds.), *Choice over time*. Russell Sage Foundation.
  85. Loewenstein, G., & Thaler, R. (1989). Anomalies: Intertemporal choice. *Journal of Economic Perspectives*, 3(4), 181–193.
  86. Lollo, N., & O'Rourke, D. (2020). Factory benefits to paying workers more: The critical role of compensation systems in apparel manufacturing. *PLoS One*, 15(2), e0227510. <https://doi.org/10.1371/journal.pone.0227510>
  87. Milkman, K. L., Minson, J. A., & Volpp, K. G. M. (2014). Holding the hunger games hostage at the gym: An evaluation of temptation bundling. *Management Science*, 60(2), 283–299.
  88. Montier, J. (2002). Behavioral finance: Insights into irrational minds and markets. John Wiley & Sons.
  89. Norton, M., Mochon, D., & Ariely, D. (2012). The IKEA effect: When labour leads to love. *Journal of Consumer Psychology*, 22(3), 453–460.
  90. O'Donoghue, T., & Rabin, M. (2006). Optimal sin taxes. *Journal of Public Economics*, 90(10–11), 1825–1849.
  91. Oliver, A. (2017). The origins of Behavioral public policy. Cambridge University Press.
  92. Prelec, D., & Loewenstein, G. (1997). Beyond time discounting. *Marketing Letters*, 8(1), 97–108.
  93. Rabin, M. (1998). Psychology and economics. *Journal of Economic Literature*, 36(1), 11–46.
  94. Rotemberg, J. (1994). Human relations in the workplace. *Journal of Political Economy*, 102, 684–717.
  95. Rousseau, D. M., & Barends, E. G. R. (2011). Becoming an evidence-based HR practitioner. *Human Resource Management Journal*, 21(3), 221–235.
  96. Savage, L. J. (1954). The foundations of statistics. John Wiley and Sons.
  97. Schwartz, H. (2002). Herbert Simon and behavioral economics. *Journal of Socio-Economics*, 31, 181–189.
  98. Simon, H. A. (1947). Administrative behavior: A study of decision-making processes in administrative organization (1st ed.). Macmillan.
  99. Simon, H. A. (1955). A behavioral model of rational choice. *The Quarterly Journal of Economics*, 69, 99–118.
  100. Simon, H. A. (1957). Models of man. John Wiley.
  101. Simon, H. A. (1997). Models of bounded rationality. Empirically grounded economic reason (Vol. 3). MIT Press.
  102. Singh, P., & Masters, W. A. (2017). Impact of caregiver incentives on child health: Evidence from an experiment with Anganwadi workers in India. *Journal of Health Economics*, 44, 219–231.
  103. Swift, S., Moore, D., Sharek, Z., & Gino, F. (2013). Inflated applicants: Attribution errors in performance evaluation by professionals. *PLoS One*, 8(7): e69258.
  104. Thaler, R. (1981). Some empirical evidence on dynamic inconsistency. *Economics Letters*, 8(3), 201–207.
  105. Thaler, R. H. (1980). Toward a positive theory of consumer choice. *Journal of Economic Behavior and Organization*, 1(1), 7–59.
  106. Thaler, R. H. (1987). The psychology of choice and the assumptions of economics. In A. Roth (Ed.), *Laboratory experiments in economics: Six points of view* (pp. 99–130). Cambridge University Press.
  107. Thaler, R. H. (1991). Quasi rational economics. Russell Sage Foundation.
  108. Thaler, R. H. (Ed.). (1993). The winners curse: Paradoxes and anomalies of economic life. Free Press.
  109. Thaler, R. H. (2000). From homo economicus to homo sapiens. *Journal of Economic Perspectives*, 14(1), 133–141.
  110. Thaler, R. H. (2015). Misbehaving: The making of behavioral economics. W.W. Norton.
  111. Thaler, R. H., & Benartzi, S. (2004). Save more tomorrow: Using behavioral economics to increase employee saving. *Journal of Political Economy*, 112(1), S164–S187.
  112. Thaler, R. H., & Shefrin, H. M. (1981). An economic theory of self-control. *Journal of Political Economy*, 89(2), 392–406.
  113. Thaler, R. H., & Sunstein, C. R. (2008). Nudge: Improving decisions about health, wealth, and happiness. Yale University Press.
  114. Titmuss, R. M. (1970). The gift relationship. Allen and Unwin.
  115. Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science, New Series*, 185(4157), 1124–1131.
  116. Volpp, K. G., John, L. K., Troxel, A. B., Norton, L., Fassbender, J., & Loewenstein, G. (2008). Financial incentive based approaches for weight loss: A randomized trial. *Journal of American Medical Association*, 300(22), 2631–2637.
  117. Weidmann, C., Schneider, S., Weck, E., Menzel, D., Klüter, H., & Müller-Steinhart, M. (2014). Monetary compensation and blood donor return: Results of a donor survey in southwest Germany. *Transfusion Medicine & Hemotherapy*, 4, 257–262.