

Abstract:

Using a randomized controlled trial, we study payment schemes for freelancers offering services on an online platform. Under the initial scheme, the firm pays workers a pure commission. Our experiment tests predictions from a formal model on the labor supply and performance effects of an alternative pay scheme, particularly for individuals with different degrees of risk aversion and intrinsic motivation. The intervention reduces the commission and adds a fixed payment per order. This insures the freelancers against earnings risk whilst reducing their upside potential. We find no positive effect on labor supply (irrespective of personality traits) and no overall performance reduction. However, there is strong evidence for a heterogeneous treatment effect on sales performance. In line with standard neoclassical reasoning, the treatment reduced performance for less intrinsically motivated workers. For more intrinsically motivated workers, however, we observe the opposite pattern as performance increased even though commission rates were reduced.