Faculty Seminar JGU Mainz, 18 June 2018, Alexander Sebald

Title: Self-confidence and reactions to subjective performance evaluations*

Abstract:

Subjective performance evaluations are commonly used to provide feedback and incentives to workers. However, such evaluations can generate significant disagreements and conflicts between management and workers, the severity of which may be driven by many factors. In this paper we show that a workers' level of self-confidence plays a central role in shaping reactions to subjective evaluations – over-confident agents engage in costly punishment when they receive evaluations below their own, but pro-vide limited rewards when evaluations exceed their own. In contrast, under-confident agents do not significantly react to evaluations below their own, but reward significantly evaluations exceeding their own. Our analysis exploits data from a principal-agent experiment run with a large sample of the Danish population, varying the financial consequences associated with the evaluations workers receive. In contrast to existing economic models of reciprocal behavior, reactions to evaluations are weakly related to the financial consequences of the evaluations. These results point towards a behavioral model of reciprocity that intertwines the desire to protect self-perceptions with over-/underconfidence.