

# **“Loss framed incentives and employee (mis)behavior”**

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## **Abstract**

Framing incentives as losses rather than gains has been shown to increase performance. Little is known, however, about the impact of loss framed contracts on other aspects of employee behavior. In a real-effort laboratory experiment we compare turnover, altruism toward the employer and theft under gain and loss payment schemes. Loss framed incentives reduce the willingness to return, discourage voluntary work behavior and induce more people to steal. We explore different explanations for our findings, including loss aversion, reciprocity and social norms.