

# The Costs and Benefits of Symbolic Differentiation in the Work Place \*

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## Abstract

We introduce, in a multiple agents moral hazard setting, a status variable which reflects an agent's claim to social recognition in her work. Status is a scarce resource so that increasing an agent's status requires that another agent's status is decreased. High status agents are more willing to exert effort in exchange for monetary compensations while well-paid agents care more about recognition so that they would exert a higher effort in exchange for a higher status. We obtain results coherent with actual management practices and management experts recommendations such as: *(i)* status and income should be complements; *(ii)* egalitarianism is desirable in a static context; *(iii)* in a long-term work relationship, promotions are more effective than direct monetary incentives.

**Keywords:** repeated moral hazard, internal labor markets, social status.

**JEL classification:** D82, L23, M12, J33.

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