To Compete or Contract?  
Assessing the Effectiveness of  
Contests in Online Labor Market  

by  
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Date: Friday, 31 January 2020  
Time: 10:30 am - 12:00 pm  
Venue: ISOM Conference Room, LSK 4047  

Abstract:  
The emergence and growth of online labor markets have enhanced the accessibility and efficiency of global labor sourcing. To reduce the risks of receiving sub-par work from a bad hire, online labor markets adopted a new contest-based scheme, which allows employers to select solutions from various workers. However, whether the use of contests in online labor markets is effective in producing satisfactory work outcomes for employers is still unclear. In this study, we aim to examine the impact of contests relative to contracts on perceived work quality. We analyze data from a leading online labor market. After accounting for endogeneity via three different identification strategies, we find that contracts tend to generate higher work quality than contests. We further find that the reduced flow of information and “copying” behaviors are two major mechanisms that render contests an inferior scheme in online labor markets. This study provides managerial and practical implications for different stakeholders, such as site owners, firms and workers.  

Bio:  
Dr. Jiahui Mo is an Assistant Professor in Information Systems at the Nanyang Technological University. She received her Ph.D. in Management Information Systems from the University of Texas at Dallas. Her current research primarily focuses on both empirical study and design issues of various online communities, and applies inter-disciplinary methodologies combining econometrics, data mining, and text mining to examine stakeholders’ behaviors and to design decision support systems in online platforms. Her recent research topics are crowdsourcing contests, online labor market, user-generated content, online forum, and fraudulent behavior.