

Abstract: We investigate the optimal job design in a repeated principal-agent relationship with multiple tasks where the performance measurement is distorted, aggregated, and nonverifiable. We compare task bundling where all the tasks are assigned to a single agent with task separation where the tasks are split and assigned to two agents. Compared to task bundling, task separation mitigates misallocation of efforts among the tasks but requires more commitment due to dispersion of informal bonuses to multiple agents. As a result, task separation is better than task bundling if and only if the discount factor of the parties is high. We furthermore show that the optimal job design may exhibit task exclusion, in which only a single agent is employed but the assigned tasks are limited.