

An Agency Theoretical Perspective on the Share System of Crew Remuneration
and The Crew' s Optimal Effort

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Abstract

Crew labor force is one of the most important inputs for fishing operations. Previous studies indicate that the share system of crew remuneration has an important effect on crew' s optimal effort. Using the agency theory approach, this paper investigates the factors influencing the crew' s optimal effort and the share rate. It incorporates the crew' s performance and the uncertainty of fish stock into the traditional share rate model. It shows that (i) increases in the price of fish, the degree of risk tolerance and the job satisfaction level raise the crew' s optimal effort, (ii) increases in the degree of risk tolerance and job satisfaction level increase the optimal share rate of the crew, while an increase in the uncertainty of fish stock reduces the share rate of the crew, and (iii) the share system that includes the fixed wage as well as a share of net proceeds will encourage the potential crew member to join a vessel. In addition, implications of the empirical result of determining the share rate between the crew and the vessel owner in the far-sea fisheries industry of Taiwan are also discussed.

Keyword : net proceeds , Crew labor