The introduction of psychological insights into the economic modelling of the decision-making process of agents – or the field of behavioural economics – has become increasingly important in recent research. Economic agents form reference points with respect to which they evaluate the possible outcomes of their decisions. Gains with respect to this reference point give less pleasure than equally-sized losses hurt (loss aversion). Furthermore, it has been shown that the reference point of the agent can be influenced by the wording of a decision problem, a mechanism which can be used by the principal to manipulate the decision-making process (strategic framing). In line with these ideas, the first part of this dissertation theoretically discusses the introduction of a reference point and loss aversion to contract theory and subsequently the use of strategic framing. Finding the optimal payment scheme hinges on the assumption of the reference point: when the base wage is taken as reference point, the principal should offer the agent a bonus contract. When rational expectations serve as reference point, the principal can choose the equilibrium outcome that is most beneficial to him – a result which is dependent on the ability of the principal to influence the expectations of the agent. The second part of this dissertation experimentally investigates differences in payment schemes and indeed finds the bonus contract to be most efficient in inducing high levels of effort. When looking at reciprocal behaviour and intrinsic motivation of agents, the experimental results suggest that combining penalties with bonuses enhances the effort provision of agents compared to a fixed payment contract.