



Pro-social missions and worker motivation: An experimental study



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ABSTRACT

Do employees work harder if their job has the right mission? In a laboratory labor market experiment, we test whether subjects provide higher effort if they can choose the mission of their job. We observe that subjects do not provide higher effort than in a control treatment. Surprised by this finding, we run a second experiment in which subjects can choose whether they want to work on a job with their preferred mission or not. A subgroup of agents (roughly one third) is willing to do so even if this option is more costly than choosing the alternative job. Moreover, we find that these subjects provide substantially higher effort. These results suggest that some workers can be motivated by missions and that selection into mission-oriented organizations is an important factor to explain empirical findings of lower wages and high motivation in these organizations.

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1. Introduction

Plenty of evidence suggests that there are workers who care about the mission of their job. Recent survey studies, for example, show that workers in the public sector care about the usefulness of their job for society (Frank and Lewis (2004), and that altruistic motivation is an important motive for volunteering (see e.g., Burns et al. (2006) or Carpenter and Knowles Myers (2010)).¹ Analyzing British Household Panel data, Gregg et al. (2011) find that workers in the non-profit sector are more likely to do unpaid overtime work than workers in the for-profit sector, and Fehrler (2010) shows that teachers in Swiss Waldorf schools, private schools with a special pedagogic profile, strongly identify themselves with their schools' missions and accept to work for far lower wages than public school teachers. Evidence from a non-OECD country is presented by Serra et al. (2011) who find that pro-social motivations predict the choice of Ethiopian health professionals to work in the non-profit sector and that workers in this sector earn less than their colleagues in the for-profit sector. Nyborg and Zhang (2013) present evidence which suggests that some workers in the private sector care about the mission of their employer,

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¹ For a recent comprehensive review of empirical studies on public sector motivation see Perry et al. (2010).

too. Analyzing data on Norwegian firms, they find that the firm's reputation for social responsibility is associated with lower wages, controlling for many other factors.²

How mission induced motivation affects principal agent problems has been studied in a number of theoretical papers.³ In several of these studies, public sector workers are modeled as agents who care about the mission of their jobs (e.g., [Francois \(2000\)](#), [Dixit \(2002\)](#), and [Prendergast \(2007\)](#)). [Dixit \(2002\)](#) concludes that agencies could save on monetary incentives to get the same level of effort as private sector firms. Extending this idea to other sectors, [Besley and Ghatak \(2005\)](#) develop a model in which workers provide more effort if they are matched with an employer with their preferred mission, which in turn makes it optimal for the employers to lower monetary performance incentives and offer different contracts. In their model, employer missions and performance pay are perfect substitutes. They also discuss policy implications and conjecture that the decentralization of a school market, for example, might lead to a substantial gain in efficiency through better matches of teachers and school profiles.

In this study, we first ask the question whether any workforce could potentially be motivated to provide more effort with the right mission. If so, employers might be able to save on monetary incentives. We test this hypothesis in a laboratory labor market experiment, in which the subjects can choose their job mission. We test whether they provide higher effort and whether this has an effect on contract choice. Our implementation of job missions follows [Besley and Ghatak \(2005\)](#) model, in which some workers care about the output of their job. In our mission choice treatment, agents generate a donation to an NGO of their choice. In our control treatment, subjects generate an extra pay-off to a randomly drawn student from the students register of the University of Zurich. In the first group we, thus, have a simple matching mechanism of missions and motivations, while the total output generated under the same contract and effort choices is the same in both groups.⁴ In each treatment, half of the subjects play the role of the employer and the other half the role of the worker. Having also the role of the employer played by subjects allows us to test the prediction of different contract choices, in addition to the prediction of different effort provision under the same contract, across treatments. Employers offer contracts consisting of a fix wage and a piece rate.⁵ Then, workers choose their effort level which determines pay-offs and donations.

Our main results are the following. Workers do not provide higher effort in the mission choice than in the control treatment. In neither treatment effort provision is higher than the optimal effort provision of a purely self-interested worker. Consequently, employers cannot save on monetary incentives in the mission choice treatment and the contracts they offer are not different from those in the control treatment.

A related study, focusing on the motivations behind pro-social effort provision, finds similar evidence. [Tonin and Vlassopoulos \(2010\)](#) measure effort provision in a real effort (data entry) task in a field experiment, in which subjects generate a donation for an NGO of their choice in addition to their own pay-off. They find a slightly higher effort provision than in a control treatment. However, the effect is very small and only significant for female participants. Moreover, they find that this effect is motivated by warm glow, i.e., utility from the act of giving itself, rather than by pure altruism.

These experimental findings and the empirical evidence of motivated workers in mission-oriented organizations, discussed above, seem contradictory. However, it might be the case that selection of mission motivated workers into corresponding jobs explains the observations. If there is only a subgroup of workers who can be motivated, employers with strong missions have an incentive to screen workers. Paying lower wages than the market wage is a possible screening mechanism for worker motivation ([Delfgaauw and Dur, 2007](#); [Brekke and Nyborg, 2008](#)).⁶

To study selection, we run a second experiment in which all subjects are workers. They are offered two contracts each period by the experimenter. The contracts in the first periods all pay the same piece rate but differ in their fix wage. Under one contract in each period the workers can generate a donation to an NGO of their choice in addition to their own income. Under the second contract they generate a donation to a randomly chosen student. By varying the difference in the fix wages between the two contracts over 20 periods we can measure how much a subject is willing to pay to work for her preferred NGO. In some periods we also vary the piece rate to see whether potential differences also occur at different piece rate levels. Moreover, we can compare effort choices of the subjects that choose the NGO contract with effort provision of the subjects who do not. Doing so we account for the fact that workers self-select into different sectors and jobs and that this process might lead to workforces that differ in their responsiveness to pro-social missions. We thus address a potentially important aspect that has not been addressed in previous experimental studies.⁷

² Two further studies have found differences in measures of social preferences and risk aversion between workers in different sectors which suggests that these differences might have had an effect on occupational choice [Jacobsen et al. \(2011\)](#), [Buurman et al. \(2012\)](#).

³ For a review of this literature see [Delfgaauw and Dur \(2008\)](#).

⁴ The level of the donation is varied between different sub-treatments.

⁵ We do not let employers choose the level of the donation to rule out possible indirect reciprocity effects. This is different to the approach taken by [Koppel and Regner \(in press\)](#) who experimentally study the effect of an employer's decision to give a higher share of her profit to charity on reciprocity between the employer and the worker.

⁶ [Delfgaauw and Dur \(2007\)](#), and [Brekke and Nyborg \(2008\)](#) model labor market sorting with motivated and unmotivated (purely self-interested) workers and employers with different missions who can offer different contracts to attract workers. In a similar way, [Kosfeld and von Siemens \(2011\)](#) study labor market sorting in a model with workers who have different preferences regarding cooperation and team work and firms with different corporate cultures.

⁷ In a recent online experiment, posterior to our experiment, [Tonin and Vlassopoulos \(2012\)](#) allow participants in one treatment to choose whether they want to sacrifice part of their income (and how much) for a donation to a charity of their choice. They let the subjects choose what fraction of a fixed piece rate should go to the charity and find that roughly half of the participants choose a fraction greater than zero.

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