

Are workers motivated by the greater good?

Workers care about employers' social causes, but the public sector does not attract particularly motivated employees

Keywords: corporate philanthropy, employee motivation, public sector, recruitment

ELEVATOR PITCH

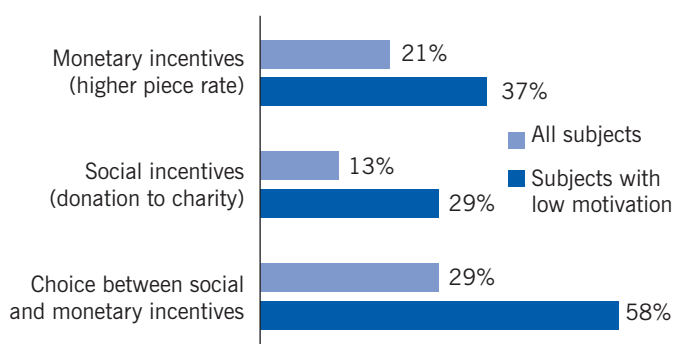
Employees show more commitment to an employer that promotes the greater good, and they work harder too. Moreover, many people are willing to give up some of their compensation to contribute to a social cause. Being able to attract a motivated workforce would be particularly important for the public sector, but this goal remains elusive. Indeed, there is evidence for the public sector that paying people more or underlining the career opportunities (as opposed to the social aspects) associated with public sector jobs is instrumental in attracting a more productive workforce, without having a negative impact on intrinsic motivation.

KEY FINDINGS

Pros

- + Employees work harder and are more motivated when their job is associated with a social cause.
- + Many people are willing to give up some of their private compensation to contribute to the greater good.
- + Survey results show that socially responsible firms are more attractive to jobseekers.
- + Attracting a motivated workforce is particularly important for the public sector.
- + In the public sector, randomized controlled trials suggest that extrinsic incentives (pay, career options) do not crowd out intrinsic motivation to serve the public interest.

People work harder when a higher financial reward or a social cause is introduced, especially when initial motivation is low



Source: [1].

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Cons

- What represents a good cause may be subjective, and a good match in terms of mission between workers and their firm is crucial.
- Attracting a motivated workforce can be challenging, and the public sector appears to have had limited success.
- Highlighting the social aspects of a job in the public sector may not be an effective way to recruit motivated workers.
- The evidence on workers' motivation is limited, affecting the generalizability of study findings.

AUTHOR'S MAIN MESSAGE

Empirical evidence shows that organizations that support a social cause have an advantage in motivating employee effort. Jobseekers, customers, and investors view such companies as more attractive. The public sector, however, is generally not very successful in attracting particularly motivated workers. Experimental studies show that using extrinsic incentives (better pay and career prospects) to recruit public sector workers can attract more productive people without negatively affecting the intrinsic motivation to serve the public interest. This suggests that human resources practices from the private sector can also be successfully deployed in the public sector.

MOTIVATION

Understanding what motivates workers is vital for enhancing productivity and designing effective compensation and retention policies. There is growing recognition that workers may be motivated to perform an activity even if they receive no apparent reward except the activity itself; that is, besides extrinsic rewards such as bonuses and promotions, intrinsic motivation also matters. In particular, a concern about the social cause pursued by the organization for which they work can be an important driver for workers.

This type of motivation is particularly important for employees in the public sector, who carry out critical tasks for the common good (for example, in education, health care, and law enforcement) with multiple and sometimes conflicting objectives and whose output is usually difficult to measure. Outside of the public sector, the growing importance of not-for-profit and of corporate social responsibility practices among firms brings this type of motivation to the forefront. As summarized by *The Economist* in 2008, referring to a survey of corporate executives, “Ask almost any large company about the business rationale for its [corporate social responsibility] efforts and you will be told that they help to motivate, attract, and retain staff.”

DISCUSSION OF PROS AND CONS

“Don’t be evil.” This is the informal motto of Google, arguably one of the most successful companies in the world. In a letter announcing the 2004 initial public offering, the founders, Larry Page and Sergey Brin, further articulate their philosophy: “We believe strongly that in the long term, we will be better served—as shareholders and in all other ways—by a company that does good things for the world even if we forgo some short term gains.”

This attitude is not just the preserve of a hip information technology company. Many companies display a concern for the “greater good.” For example, a survey of 261 leading US companies, including 62 of the 100 largest companies on the Fortune 500 list, reveals that they contributed more than \$25 billion in total charitable giving in 2013, equivalent to around 1% of pre-tax profits, or more than \$600 per employee [2]. Many of these companies encourage the active involvement of their workforce in these charitable activities, for instance by committing to match their employees’ donations or by establishing formal employee volunteer programs and supporting their employees’ volunteering activities through paid release time, company-wide days of service, or other means.

These donations of money and time by businesses and their workers are examples of corporate philanthropy. Many firms also engage in other corporate social responsibility activities, such as adhering to operations codes of conduct involving, for instance, labor standards or environmental protection beyond that mandated by law. However, these practices are not always perceived as commendable; for instance, they could be considered as inappropriate for a firm, reflecting some corporate governance issue, or, even worse, as bogus and hypocritical.

Are workers more productive in firms advocating corporate social responsibility?

Studies have documented that customers respond to products whose production and distribution processes conform to some ethical notion (such as fairness or environmental

sustainability). Examples include the willingness to pay more for organic cotton garments or for goods whose producers agree to donate part of the proceeds to charity. There is also some evidence that investors' decisions are affected by ethical criteria (for example, refraining from investing in companies involved in producing alcohol and tobacco, and in gaming).

What about one of the most important assets of any company, its employees? Does knowing that the organization they work for is concerned with the greater good motivate them to put more effort into what they do? Do socially responsible firms have an advantage in the recruitment of talents? Or are corporate social responsibility activities perceived merely as a public relations stunt or as “green washing?” True, Google is one of the most attractive employers, but this could be due to many other factors than its stated objective of doing “good things for the world.” These other factors, such as working conditions, career prospects, market success, and prestige, are difficult or impossible to control for, so just looking at existing companies is not going to answer these questions.

To establish convincingly whether workers are motivated by the greater good, many studies have used the methodology of experimental economics. Experimental studies have the advantage of determining causal effects in a credible and precise way—in this case, the impact on productivity from linking a job to the greater good. Convincing evidence would be very difficult to attain using observational data because people self-select into different types of jobs and their job preferences may be correlated with some other characteristics that affect their productivity but are difficult to account for. Moreover, quantifying and comparing output across jobs may prove very challenging. Experiments solve these issues by designing easy-to-quantify tasks and randomly allocating participants into different environments.

One study sets up an online experiment on boosting productivity among more than 300 subjects working remotely for four hours a day at a data entry task [1]. The study compares the effectiveness of financial incentives (in the form of a piece rate) and social incentives (in the form of a charitable donation) for boosting productivity. Not surprisingly, the study finds that subjects are sensitive to the strength of financial incentives; they work harder when the piece rate is higher. Introducing a charitable donation is also effective in boosting productivity: individual performance (entries per hour) improves 13% on average (see illustration on p. 1).

However—and confirming the findings of a previous study [3]—whether the charitable donation is linked to productivity through a “charity piece rate” or whether it is a lump sum does not matter for productivity [1]. Neither does the amount transferred to the charity. In so far as a donation to a charity is included in the compensation package, subjects respond by increasing their effort, but they do not respond to the strength of the social incentive. Moreover, the effects of both financial and social incentives are concentrated among subjects initially lacking in motivation to perform the task. Individuals with low initial productivity respond very strongly to the introduction of a charitable donation, increasing their productivity almost 30%. The presence of social incentives seems to enhance a worker's identification with the job, providing some meaning to what would otherwise be just a repetitive task.

So, subjects respond when social incentives are introduced, but would they be willing to sacrifice some of their private compensation to benefit a charitable cause? When given the opportunity, half of the subjects in the study do so, with women more likely to do so than men [1]. Comparing the different compensation schemes from the point of view of a firm reveals that engaging in corporate philanthropy increases productivity by less than an equally costly increase in private compensation, but the difference is small. Taking into account the other

benefits related to corporate social responsibility (including the impact on customers and investors, plus potential tax benefits), it could be contended that corporate philanthropy may be more effective than financial incentives. Also, giving subjects the opportunity to choose whether to include a charitable donation in their compensation package is the most effective way to increase performance.

The positive impact of social incentives on motivation has been corroborated by other experimental studies, with several studies underlining the importance of a good match between workers and a firm's mission.

A forthcoming study took advantage of the 2012 presidential election in the US to recruit participants to work for one of the two major candidates (Barack Obama, a Democrat, or Mitt Romney, a Republican), filling and addressing envelopes containing letters to independent voters [4]. After measuring participants' political preferences a few weeks before the experiment, the study randomly assigned participants to work for either the Republican Party or the Democratic Party campaigns. Workers' preferences are aligned with their jobs when Republicans are assigned to work for the Republican campaign and Democrats for the Democratic campaign, and misaligned when workers are assigned to work for the opposite campaign. The experimenters also varied financial incentives, either paying a flat wage for the job or adding a supplement contingent on the number of letters completed.

The study finds that matching preferences has a very strong impact on productivity: output is 72% higher when preferences are aligned compared with mismatches. Financial incentives also work: adding performance-contingent pay boosts output 35% compared with offering just a flat wage. It is interesting to note that the effect of financial incentives is strong in the case of mismatches, while it is rather muted when employer mission and employee preferences are aligned. These findings suggest that financial incentives can partly compensate for misalignment, but, of course, they are expensive.

Experimental studies thus underline how “doing good” is a powerful motivational driver for workers, but that what “doing good” means may be subjective. To maximize productivity, it is important that workers' preferences align with the mission pursued by the organization.

Can findings from studies using undergraduate students performing short-term jobs be trusted to represent what motivates people in their working life? Reassuringly, these experimental findings are corroborated by many studies based on surveys of actual employees or jobseekers. For survey populations ranging from production workers in manufacturing to service workers in the financial sector, these survey-based studies usually conclude that corporate social responsibility activities are positively associated with employees' commitment to the firm [5]. Moreover, having a reputation as a socially responsible firm makes companies more attractive for jobseekers, and the effect is found to be stronger for more qualified prospective employees, thus indicating that corporate social responsibility may provide a competitive advantage for a firm in recruiting talent [6].

Is the public sector attracting motivated workers?

The evidence presented so far suggests that pursuing the greater good can be an important motivational driver for at least some workers. What about workers in the public sector? In a well-functioning democratic society, the public sector should, by definition, pursue objectives that aim to achieve the greater good and so should be well positioned to attract a workforce

that is sensitive to this type of motivation. Moreover, agency problems are arguably more serious in the public sector than in the private sector, because public organizations pursue multiple objectives and have many different stakeholders, some with divergent interests. Output and performance can be very challenging to measure in sectors like education, health care, law enforcement, and public administration, because they lack a monetary measure such as revenues or profits and quality is inherently difficult to quantify.

Agency problem

When one party (the agent, in this case the civil servant) is expected to act in the best interests of another party (the principal, in this case, the public), a conflict of interest may arise. The problem arises because the agent may be motivated by self-interest, and his or her best interests may differ from the principal's best interests.

These characteristics of the public sector make it particularly prone to corruption, regulatory capture, and waste. Having a motivated workforce can act as an important antidote against such negative outcomes. Finally, and partly for the reasons highlighted above, extrinsic incentives like bonuses or the threat of firing are less common in the public sector, making intrinsic motivation more prominent. It is important, then, to understand whether the public sector is able to attract a particularly motivated workforce and what strategies can be put in place to achieve such a goal.

A common methodology to assess whether public sector workers are intrinsically motivated to serve the public interest in carrying out their jobs—whether they have a public service motivation—is to compare private and public sector workers along some dimension of prosocial behavior. For instance, are public sector workers more likely than their private sector counterparts to donate to charities, to volunteer, to give blood? Several studies have answered this question affirmatively, at least for a subset of public sector employees [7].

A study in the Netherlands published in 2012, for instance, looks at what people choose as a reward for completing a survey, where the alternative options are a gift certificate, a lottery ticket, or a charitable donation [8]. Focusing on workers at the start of their career, the study finds that those in the public sector are more likely to choose the charity than are those in the private sector. As tenure increases, however, the difference disappears and even reverses. This is partly explained by the fact that public sector employees feel that they have already contributed to society by working at a public sector job that they believe underpays them.

Indeed, one issue with several studies comparing private and public sector workers is that the types of jobs may be inherently different in the two sectors, which could have an impact on the behavior that is used as a proxy for public service motivation. As an example, a nurse (working in the public sector) may have plenty of opportunities to behave altruistically on the job and thus may not differ much from other workers in her prosocial activities out of work, even if he or she is genuinely more altruistically motivated. The same issue arises for other characteristics that may differ between jobs in the public and private sectors and that may be difficult to control for (such as required effort, career incentives, and job security).

To overcome these difficulties, a 2014 study uses a representative survey in 12 European countries of individuals who are at least 50 years old to look at whether public and private

sector workers differ in their propensity to volunteer for a charity [9]. Crucially, this study also looks at people's behavior after retirement, where differences in working conditions no longer exist. The finding is that former public sector workers are indeed more likely to volunteer than are former private sector workers, but this finding is entirely explained by differences in the workforce composition of the two sectors. On average, public sector workers are more educated and employed in more skill-intensive occupations, characteristics that are associated with a higher propensity to volunteer. Once these two factors are accounted for, there is no difference in propensity to volunteer between the two sectors. Disaggregating the data across the main occupations in the public sector confirms the overall picture for public administration and health and social work; for education, however, former public sector employees are more likely to volunteer even after controlling for a rich set of characteristics. Disaggregating the data across countries confirms the overall picture for most of them, although in some countries the positive differential between public and private sector employees in volunteering persists even after controlling for differences in workforce characteristics.

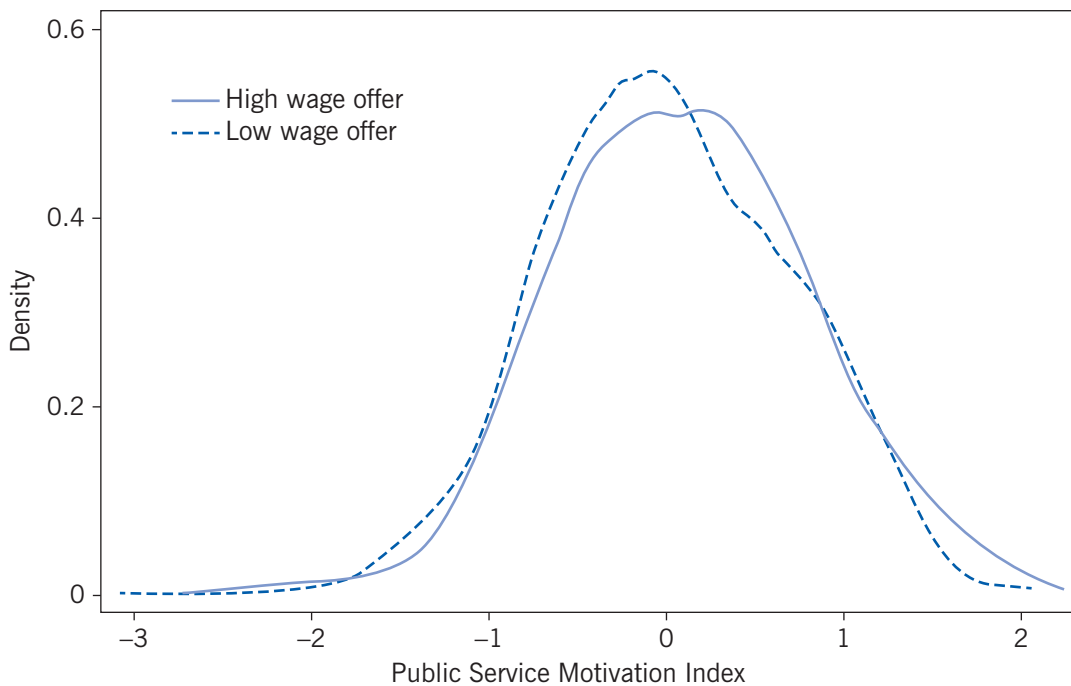
What can be done to improve recruitment in the public sector?

All in all, the evidence suggests that the public sector as a whole may not be very successful in attracting particularly motivated employees. Given the crucial role of public service motivation emphasized above, it is important to learn what can be done to improve the selection of the workforce for the public sector. In recent years, several randomized controlled trials have explored different aspects of the workforce selection process for the public sector. These studies took place in low- or middle-income countries, but their findings can also be instructive for more advanced economies, despite the fact that the structure of the labor market, in particular the role of the private sector, can be quite different.

Given the principle that “you get what you pay for,” a natural recruitment tool to look at is salary. Can an organization attract better people by paying higher salaries? For the public sector, there is a concern that high salaries may be counterproductive, as they may attract people without high intrinsic motivation to work in the sector (people lacking public service motivation). A 2013 study addresses this issue in a credible way by exploiting a 2011 recruitment drive for public sector positions in Mexico [10]. The drive to recruit community development agents took place across 106 recruitment sites, with salaries randomly assigned across sites. In some localities, the posted wage was 5,000 Mexican pesos a month (approximately \$500 at the time), corresponding to the 80th percentile of the wage distribution for the population in those localities. In other localities, the posted wage was much lower, at 3,750 pesos per month.

A great deal of information is available about the candidates: earnings in other jobs, measures of raw cognitive ability (IQ), and market skills (such as computer use and years of schooling), as well as standard measures of personality traits and public service motivation. The main finding is that higher wages attract better candidates, as measured by quality—candidates with higher earnings in other jobs, a better occupational profile (in terms of experience and white-collar background), higher IQ, and preferable personality traits. Higher salaries also attract candidates with stronger public service motivation (Figure 1), suggesting that higher salaries do not crowd out motivation.

Figure 1. Higher salaries also attract candidates with stronger public service motivation



Note: The Public Service Motivation Index is a normalized measure based on responses to several statements. A higher value means higher public service motivation.

Source: Dal Bó, E., F. Finan, and M. A. Rossi. "Strengthening state capabilities: The role of financial incentives in the call to public service." *The Quarterly Journal of Economics* 128:3 (2013): 1169–1218 [10].

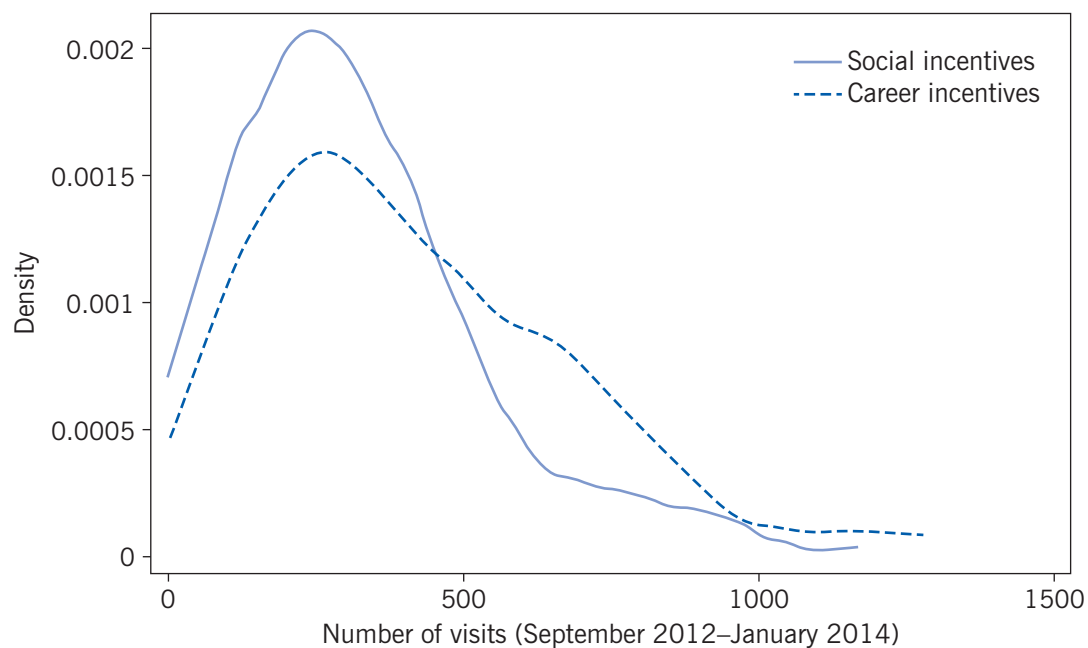
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Another way to attract motivated workers to the public sector might be to underline the social dimension of public service. A 2010 randomized controlled trial in a developing country assesses whether emphasizing the social dimension of a public sector job works to attract motivated workers [11]. In 2010, Zambia created a new civil service cadre called the Community Health Assistant, with the main task of visiting households to provide health care services in underserved areas. The roughly 330 newly created positions were advertised through recruitment posters in public spaces across 48 districts. In half of the districts, which were randomly selected, the poster advertised the career opportunities associated with the position ("Become a community health worker to gain skills and boost your career!"), while in the other half of the districts the advertisement had more of a public service emphasis ("Want to serve your community? Become a community health worker!").

A first finding is that the message matters: in districts with posters highlighting career incentives, candidates were on average more qualified, as measured by their high school results. That difference emerges mainly because candidates with very high qualifications are rarer (or even absent) in districts with the social message. This suggests that emphasizing career incentives was instrumental in attracting a pool of qualified applicants who would not have applied otherwise. On the other hand, the message does not seem to matter in terms of social preferences. Psychometric tests used to assess pro-sociality do not show a difference among candidates across the two groups of districts. Also, no difference emerges in measures based on a dictator game, in which a candidate allocates a sum (around \$5 in this case, or half the daily earnings for the position) between himself/herself and another

recipient, in this case the local hospital to support needy patients. This study also tracks the activities of the newly recruited community health assistants over a period of 18 months and finds that personnel recruited through the career incentives pitch perform better, as measured by the number of household visits (Figure 2). This is true even after controlling for differences in individual characteristics, such as qualifications. Once again, the difference is driven by a group of strong performers among candidates recruited using career incentives.

Figure 2. Personnel recruited by emphasizing career incentives perform better than personnel recruited by emphasizing social dimensions



Source: Ashraf, N., O. Bandiera, and S. S. Lee. *Do-gooders and Go-getters: Career Incentives, Selection, and Performance in Public Service Delivery*. HBS Working Paper No. 3, May 2014 [11].

I Z A
World of Labor

As in the Mexico study [10], extrinsic incentives (in this case career opportunities) do not crowd out intrinsic motivation and actually enable the recruitment of better-performing candidates.

Other studies look at students and at their interest in a public service job. A study in India measures the propensity to cheat among 669 final-year college students in the city of Bangalore using a dice game [12]. It also measures pro-sociality using a dictator game, similar to the one described above for the Zambia study [11]. The finding is that students who cheat are 6.3% more likely to want a government job and also that more generous students in the dictator game prefer private sector jobs over government jobs. Then, using a sample of 165 public health nurses, the study finds that the measure of cheating based on the dice game is correlated with actual corrupt behavior among these public sector workers, in this case fraudulent absenteeism from work. The study thus finds evidence of negative selection into public sector jobs in India. A 2013 study with Indonesian students, however, finds the opposite result [13].

LIMITATIONS AND GAPS

As underlined above, gathering sound evidence on workers' motivation and its implications for productivity and other dimensions of job performance is subject to tough methodological challenges. Experimental methods (either laboratory experiments or randomized controlled trials in the field) have been used to address some of these challenges. To be credible, findings from laboratory experiments need to be complemented by evidence from the field, but there have been only a few randomized controlled trials, because their implementation can be very demanding. As a result, the evidence on workers' motivation is still rather limited, which affects the generalizability of the study findings. For instance, it is questionable how much evidence gathered from Zambia can guide policy in Germany. This challenge is particularly relevant for employment in the public sector, as the role of the public sector can be very different in different countries. Evidence on important aspects of motivation—for instance, its psychological determinants and how it evolves over the career of individuals—is also scarce. This limited knowledge can nonetheless provide some useful guidance to policy.

SUMMARY AND POLICY ADVICE

In the private sector, promoting a worthwhile social cause can be an important tool for motivating an organization's workforce (and its customers and investors). This is an element in favor of corporate philanthropy or other forms of corporate social responsibility in the private sector. If such practices are deemed beneficial for society as a whole, they should be actively promoted. One way to put this issue at the forefront would be to require companies to report on social and environmental matters, as mandated in the UK 2006 Companies Act for public companies.

Workers' motivation is particularly important in the public sector, and appropriate policies should be in place to attract and retain the right types of workers. The evidence on specific policy measures is still sparse, and there may also be significant variation across professions, a person's income level, or other factors. Because of this, a rigorous evaluation of the impact of new policies would be desirable. This would generate stronger evidence on which to base further policy interventions. In particular, human resources practices developed in the private sector could represent an important source of inspiration, as the evidence indicates that extrinsic incentives do not appear to crowd out intrinsic motivation.

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Competing interests

The IZA World of Labor project is committed to the *IZA Guiding Principles of Research Integrity*. The author declares to have observed these principles.

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