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No Margin, No Mission? A Field Experiment on Incentives for Public Services Delivery

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Abstract

A substantial body of research investigates the effect of pay for performance in firms, yet less is known about the effect of non-financial rewards, especially in organizations that hire individuals to perform tasks with positive social spillovers. We conduct a field experiment in which agents recruited by a public health organization to sell condoms are randomly allocated to four groups. Agents in the control group are hired as volunteers, whereas agents in the three treatment groups receive, respectively, a small monetary margin on each pack sold, a large margin, and a non-financial reward. The analysis yields three main findings. First, non-financial rewards are more effective at eliciting effort than either financial rewards or the volunteer contract and are also the most cost-effective of the four schemes. Second, non-financial rewards leverage intrinsic motivation and, contrary to existing laboratory evidence, financial incentives do not appear to crowd it out. Third, the responses to both types of incentives are stronger when their relative value is higher. Indeed, financial rewards are effective at motivating the poorest agents, and non-financial rewards are more effective when the peer group is larger. Overall, the findings demonstrate the power of non-financial rewards to motivate agents in settings where there are limits to the use of financial incentives.

Keywords: [incentives](#); [non-monetary rewards](#); [intrinsic motivation](#); [Motivation and Incentives](#); [Employees](#); [Service Industry](#); [Health Industry](#);

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