



Effort and Incentives in Nonprofit and For-Profit Organizations.

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The goal of our paper is to analyze the differences between nonprofit and for-profit salaried workers in terms of effort sensitivity to incentive schemes. This study belongs to a growing field of research concerning the differences in work motivation in for-profit and nonprofit sectors. Choosing to participate to organizations devoted to the production of general-interest services reveal a pro-social motivation at work. This is a type of intrinsic motivation, that is a motivation that does not depend on extrinsic rewards but on the participation to an activity valuable per se. Therefore, if we assume that nonprofit organizations are more likely to be devoted to social missions, nonprofit workers would be more intrinsically motivated in their job than their for-profit counterparts.

Under this assumption, at least two predictions can be made about the human resources strategies of nonprofit firms and the behaviour of their employees. First, the likelihood of effort donation from their employees would restrict the need of incentives designed to improve their performance. Second, as pro-social motivation is largely built on self-determination of employees, psychological theory has put forward that it is likely to be crowded out by the use of extrinsic incentives like performance pay or close monitoring. Therefore, nonprofit employees' effort is less likely to be sensitive to the use of direct monitoring or performance based incentives. The database used in our contribution has enabled us to investigate this prediction directly.

The empirical analysis is based on a survey designed in the EPICURUS European project to investigate the link between work patterns and job satisfaction. This new dataset has been collected in seven European countries: Denmark, France, Finland, Greece, the Netherlands, Spain and the United Kingdom in 2004. The sample includes 2905 salaried workers with low and middle level of education from tertiary sectors. This dataset is well suited for the purposes of our research as it contains information on incentive schemes and effort. First, respondents are asked to report on a discrete scale the sensitivity of their current effort to the use of five incentive schemes. Second, they also report what this sensitivity would be if a set of six exclusive incentive schemes was used by their employers.

Our first results show that the effort of nonprofit workers is more sensitive to the influence of their colleagues but less sensitive to monetary incentives than is the effort of identical for-profit workers. Moreover, nonprofit workers are less likely to increase their effort than their for-profit counterparts if their employer were using performance pay, performance appraisal or offering a higher pay than to similar workers in other companies. Once again, the opinion of co-workers would appear as a more powerful motivator for nonprofit workers. In conclusion, these are less prone to positively react to extrinsic motivators like pecuniary incentives or direct monitoring of their working behaviour. Our study complements previous studies showing that nonprofit firms are less likely to use performance based wage and promotions but prefer to invest in participation and latitude of their members.

We attach a provisional version of the complete paper written in French. The new version, in English, will complement these first results with further analysis of the sensitivity of effort to incentive schemes conditional upon the selection of workers in the nonprofit and for-profit sectors. For the purpose of tractability, we will use the Cardinal Ordinary Least Squares method (COLS) introduced by van Praag and Ferrer-i-Carbonell (2004, Chapter 2). This method transforms the discrete ordered valuation of the sensitivity of current effort to the use of incentive schemes into a continuous value measured on the real axis, allowing us to estimate the model using conventional linear methods. Therefore, we will estimate a linear model of the sensitivity of effort to incentive schemes together with a sector selection equation by maximum likelihood method.