Corporate philanthropy increases workers' productivity

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Working to benefit a good cause increases productivity by up to 30 per cent, according to the findings of a new study from the University of Southampton.

When workers are given a social incentive such as a charitable donation linked to their job, performance increases by an average of 13 per cent, rising to 30 per cent amongst those who are initially the least productive.

"A lot of studies have shown how financial incentives, like bonuses and stock options, can improve performance," says University of Southampton economist Dr Mirco Tonin, lead author of the study. "But our results provide empirical support for the growing recognition that some workers are also motivated by advancing social causes through their efforts."

Performance was most improved (increasing by 26 per cent overall) when workers could decide how much of their pay they wanted contribute. When donations were optional, over half of participants chose to give a proportion of their own pay to a charity of their choice.

Researchers offered students at University of Southampton the chance to take part in the study, which involved completing four one-hour online data entry sessions over the course of a week. Productivity was measured by the number of entries students made within the sessions and the accuracy of those entries.

Students received £20 for completing the four sessions and were divided into four groups, each with different levels of additional financial and social incentive. Some groups were given various increments of performance related pay, based on the number of entries they made, while others were given differing forms of social incentives; from a lump sum donation to a charity (given upon finishing the task), to donations made for each completed entry.

"Both varieties of social incentive (lumpsum and performance based) were equally effective at increasing performance," says Dr Michael Vlassopoulos, co-author of the study. "We can see that social incentives have a positive impact in the number of entries made, without compromising accuracy.

"Our results indicate that social incentives may be slightly less effective than financial incentives in motivating workers, but the difference is not as large as one might have expected. The motivational impact of social incentives, coupled with sufficient tax breaks or additional advantages coming from customers, regulators, or investors, would make them as effective for employers as offering financial incentives."

When participants could choose how much of their performance related pay they would like to share with a charity, and how much they wanted to keep for themselves, performance increased considerably. Those who chose to donate gave an average of 20 per cent of their per entry rate, with women being more generous than men.

"We find that offering subjects some discretion in choosing their own payment scheme leads to a substantial improvement in performance," says Dr Tonin. "This suggests that firms willing to introduce corporate giving programmes may want to consider giving employees the opportunity to 'opt in.'"

The study Corporate Philanthropy and Productivity: Evidence from an Online Real Effort Experiment will be published in the forthcoming edition of *Management Science*.

More information: Corporate Philanthropy and Productivity: Evidence from an Online Real Effort Experiment, Mirco Tonin and Michael Vlassopoulos, DOI: 10.1287/mnsc.2014.1985

Provided by University of Southampton