

# Study finds male, female responses to performance pay similar across contexts, programs

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Past studies have raised the possibility that performance pay—programs that give employees incentives to be productive by offering rewards for

achieving performance objectives—may widen the gender earnings gap because women do not respond to performance incentives as strongly as men for psychological or cultural reasons. A new study evaluated this notion by aggregating evidence from experiments on performance incentives from around the world. The study found that the difference in response between genders is close to zero and does not differ much across studies, while the average effect of incentives on productivity is positive. This suggests that incentives underlying performance pay in the workplace boost performance for men and women alike across a variety of contexts and for a variety of program designs.

The study, by researchers at Carnegie Mellon University (CMU), the London School of Economics (LSE), and Columbia University, appears in *American Economic Review: Insights*, the journal of the American Economic Association.

"Performance pay is at the core of management practices in many industries, and the effectiveness of [performance incentives](#) has therefore been tested in many experiments" explains Erina Ytsma, Assistant Professor of Accounting at CMU's Tepper School of Business, who coauthored the study. "We draw from this wealth of data to answer a new question—whether men and [women](#) respond differently to performance pay—by using a model that allows us to aggregate this data and estimate the average gender difference as well as how much this difference varies across studies."

In total, the study used data from nine lab experiments and eight field experiments involving nearly 8,800 employees, half of whom were women. The experiments encompass many different types of productive tasks and specific incentive schemes, and they were performed across a diverse set of countries. The experiments were published in peer-reviewed journals or as working papers between 1990 and 2012.

Past studies have concluded that women and men differ in their aversion to risk, confidence, and altruism. As a result of such psychological differences, women may respond less strongly to performance pay. However, this study finds that women and men respond similarly to different variants of performance pay across a wide range of contexts. This suggests that psychological disparities across gender are not strong enough to generate different responses to performance incentives.

Past studies have also suggested that psychological responses to performance pay may have adverse productivity effects, for instance by decreasing, or crowding out, intrinsic motivation. But this study finds that high-powered incentives substantially increase performance on average.

"Our results suggest that performance pay is highly effective at increasing productivity on average," says Ytsma. "What's more, because we did not find that women respond less strongly to performance incentives, the ubiquity of performance pay is unlikely contributing directly to the [gender](#) earnings gap."

**More information:** Erina Ytsma et al, Do Women Respond Less to Performance Pay? Building Evidence from Multiple Experiments, *American Economic Review: Insights* (2021).

[www.aeaweb.org/articles?id=10. ... eri.20200466&&from=f](http://www.aeaweb.org/articles?id=10. ... eri.20200466&&from=f)

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