



PROSOCIAL INCENTIVES

Alex Imas

Carnegie Mellon University

Motivation

- ▶ People are happier spending on others than themselves (Dunn, Aknin and Norton, 2008; Norton et al. 2012)
- ▶ Test effectiveness of prosocial incentives
- ▶ Charity partners with firm, both potentially benefit

Weight Loss



Or



Prosocial Behavior

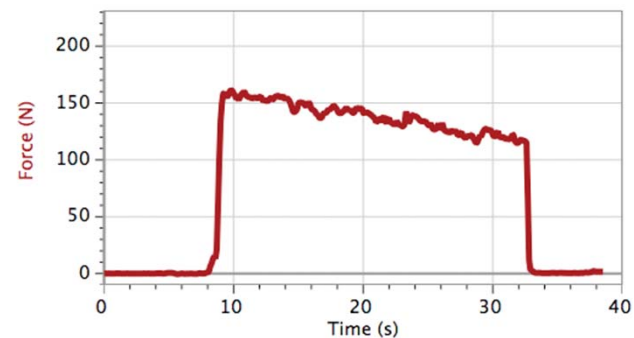
- ▶ Theory of warm glow (Andreoni, 1989; 1995)
- ▶ Individuals incentive to scope in the social domain (Hsee and Rottenstreich, 2004; Small, Loewenstein and Slovik, 2007)
- ▶ Sensitive to scope under standard incentives (Gneezy, Meier and Rey-Biel, 2011)

Aim

- ▶ Prosocial incentives motivate better than standard incentives, to a point
- ▶ Prosocial incentives not sensitive to outcome, standard incentives are
- ▶ Scope and choice

Experiment 1: Effort

- ▶ UCSD students ($N=187$) recruited. All received \$5 show up fee
- ▶ Subjects squeezed hand dynamometer at 60 second intervals
- ▶ Output measured in Newtons. Effort taken to be total force exerted over 60 second interval.



Experiment 1: Effort

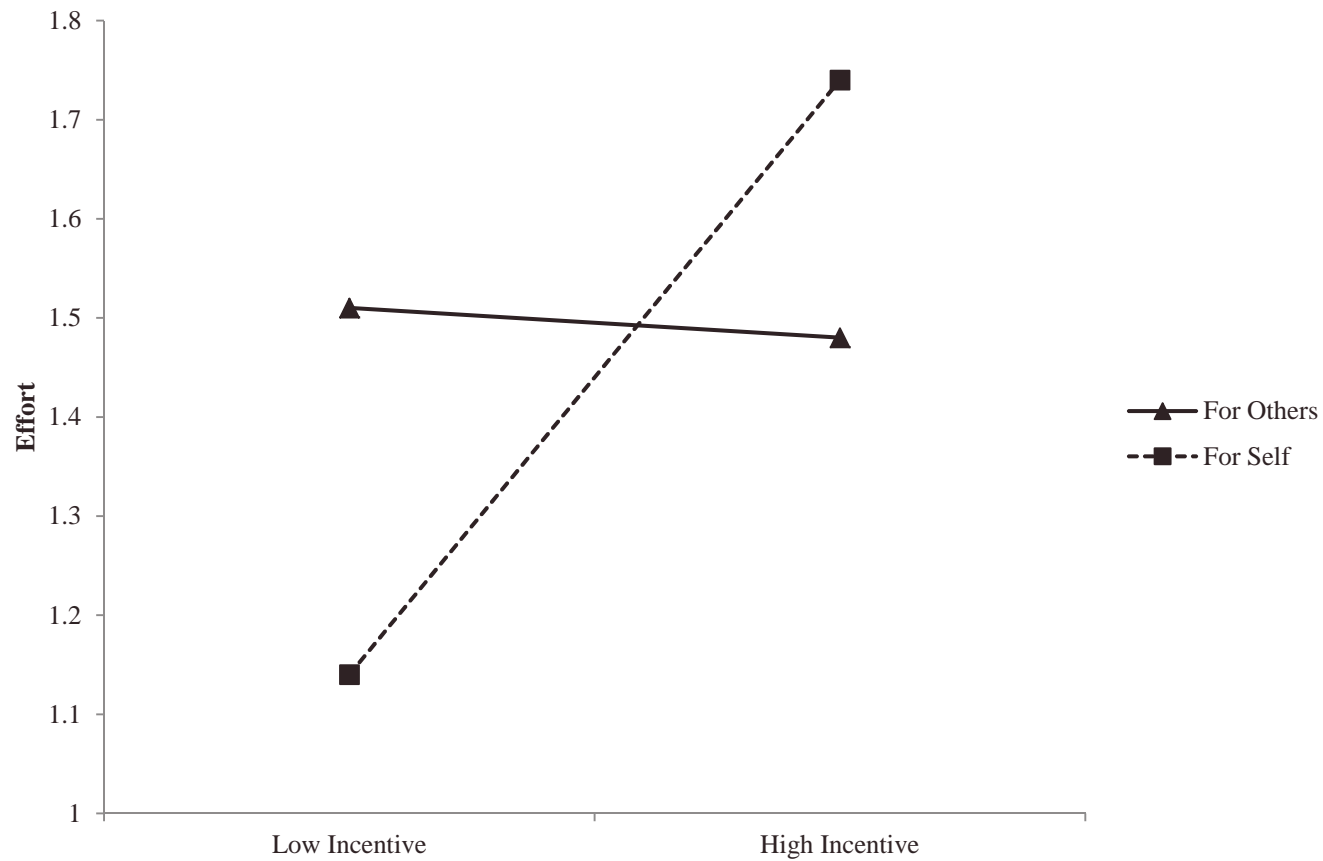
- ▶ Effort measured in two stages: the calibration and treatment stage.
- ▶ First asked to squeeze for 60 seconds to calibrate sensor. This was baseline. Treatment stage divided by baseline to create normalized measure of effort R that controls for individual characteristics.
- ▶ Subjects then randomly placed into one of five treatments (Low = \$0.05 per 25,000 N; High = \$2.00 per 25,000 N):
 - ▶ Low and High For Self
 - ▶ Low and High For Others
 - ▶ Control

Experiment 1: Predictions

- ▶ H1: In Low treatments, more effort will be exerted under For Others incentive scheme than in For Self incentive scheme
- ▶ H2: Effort should not change in For Others incentive scheme when incentives go from Low to High
- ▶ H3: In High treatments, the same or less amount of effort will be provided under For Others incentive scheme than in For Self incentive scheme

Experiment 1: Results

Effort Ratio by Treatment



Experiment 1: Results

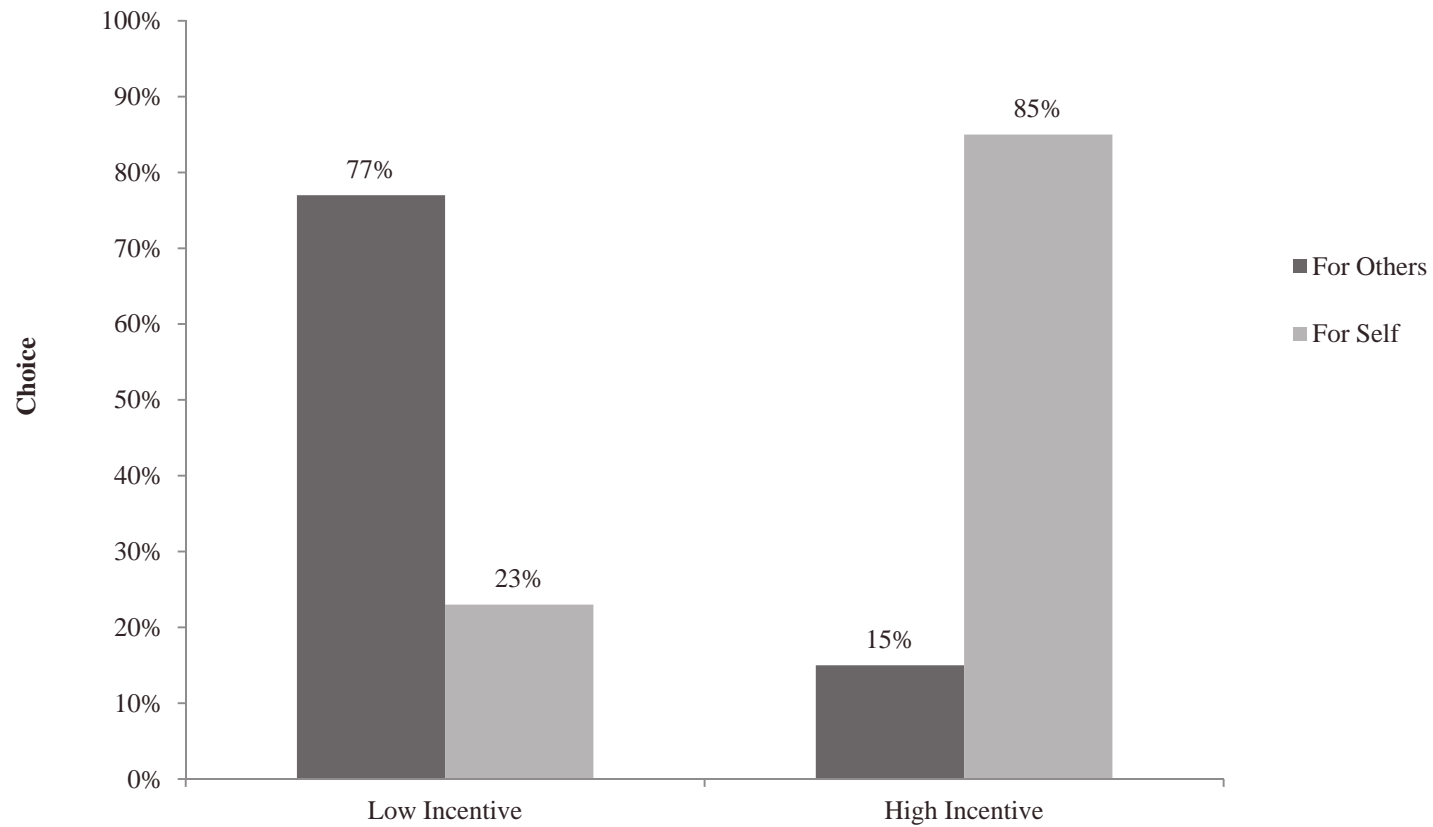
- ▶ Effort higher For Others than For Self under low incentives
- ▶ No longer true when incentives are high
- ▶ Under For Self, effort increased going from low to high
- ▶ Under For Others, effort did not change going from low to high

Experiment 2: Choice

- ▶ Do people select into prosocial incentive schemes?
- ▶ UCSD students ($N=57$) recruited. All received \$5 show up fee
- ▶ Same setup as Experiment 1
- ▶ Participants matched into either Low or High Incentive condition
- ▶ Asked to choose Incentive scheme (For Others or For Self)

Experiment 2: Results

Choice of Incentive Scheme



Experiment 2: Results

- ▶ At Low incentives, 77% (23) chose to work For Others and 23% (7) chose to work For Self
- ▶ At High incentives, 15% (4) chose to work For Others and 85% (23) chose to work For Self ($p < .001$)
- ▶ General pattern of effort same as in Experiment 1

Implications

- ▶ Prosocial incentives superior to standard incentives—at low stakes
- ▶ Insensitive to size of prosocial incentive
- ▶ Choice was consistent with behavior

Implications

- ▶ Direct monetary compensation may not be optimal scheme in some situations.
- ▶ Creates potential positive externalities such as more satisfied workforce and improved company image (Folkes and Kamins, 1999, Norton et al. 2012)

Prosocial incentives in the field

- ▶ Individuals avoid prosocial situations (Andreoni, Rao & Trachtman, 2012; DellaVigna, List, & Malmendier, 2012)
- ▶ Will individuals avoid opting in to prosocial incentives if given the opportunity?
- ▶ Signaling - giving may be motivated by desire to appear prosocial to self and others (Ariely, Bracha, & Meier, 2009; Benabou & Tirole, 2006)
- ▶ Does making behavior public enhance the effect of prosocial incentives?

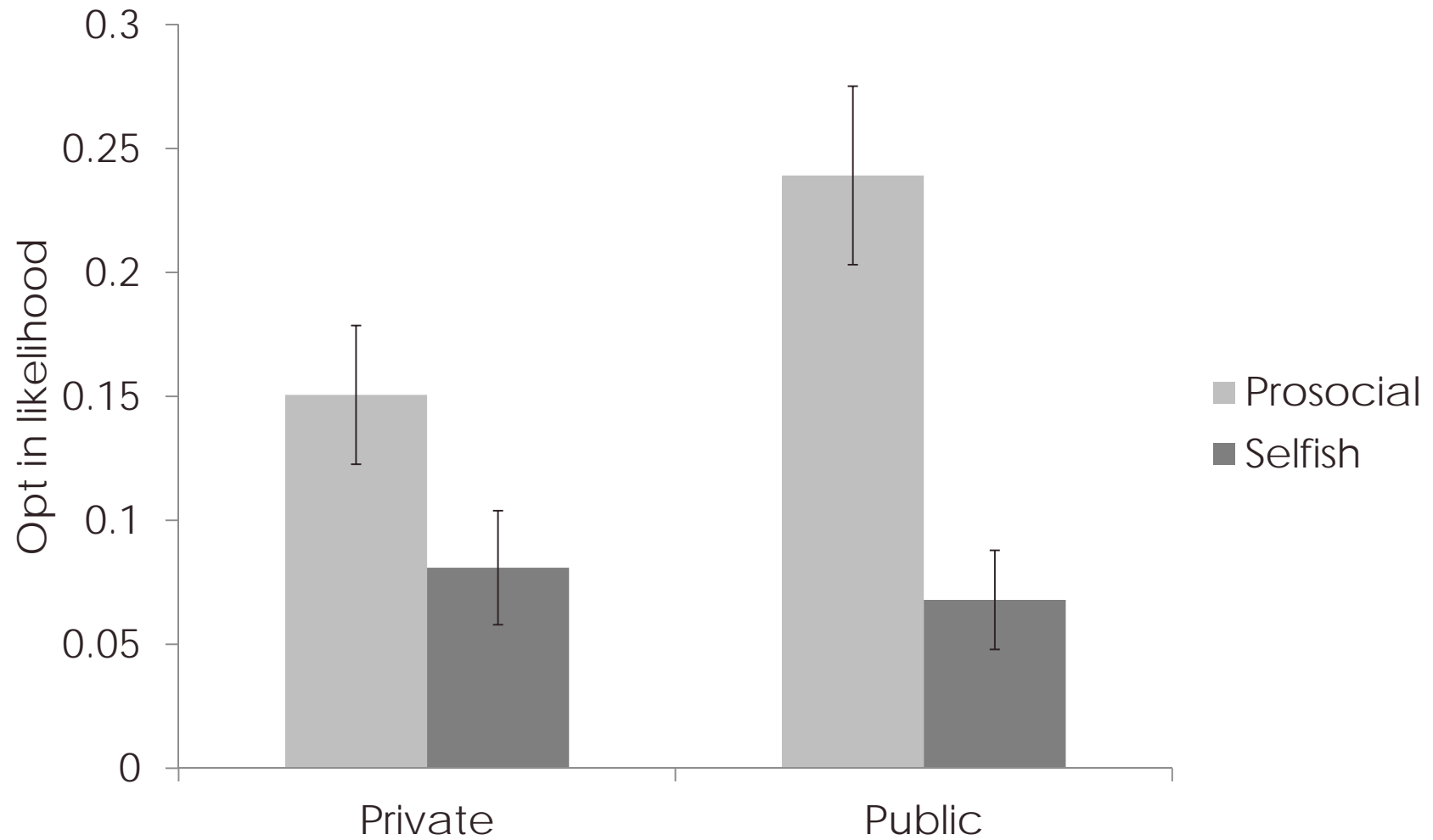
Experiment 3: Opting In to Recycle

- ▶ Individuals (N = 846) invited to participate in a recycling drive (12 classrooms)
- ▶ Incentive: \$0.05 For Self or For Others (Make-A-Wish Foundation)
- ▶ Setting: Public vs. Private
- ▶ Classrooms randomly assigned to one of 5 treatments:
 - ▶ Prosocial Private and Public
 - ▶ Selfish Private and Public
 - ▶ Control (no incentive)

Predictions

- ▶ Participants will be more likely to opt in to recycling For Others
- ▶ This effect will be greater in public

Results: Opting in to recycle



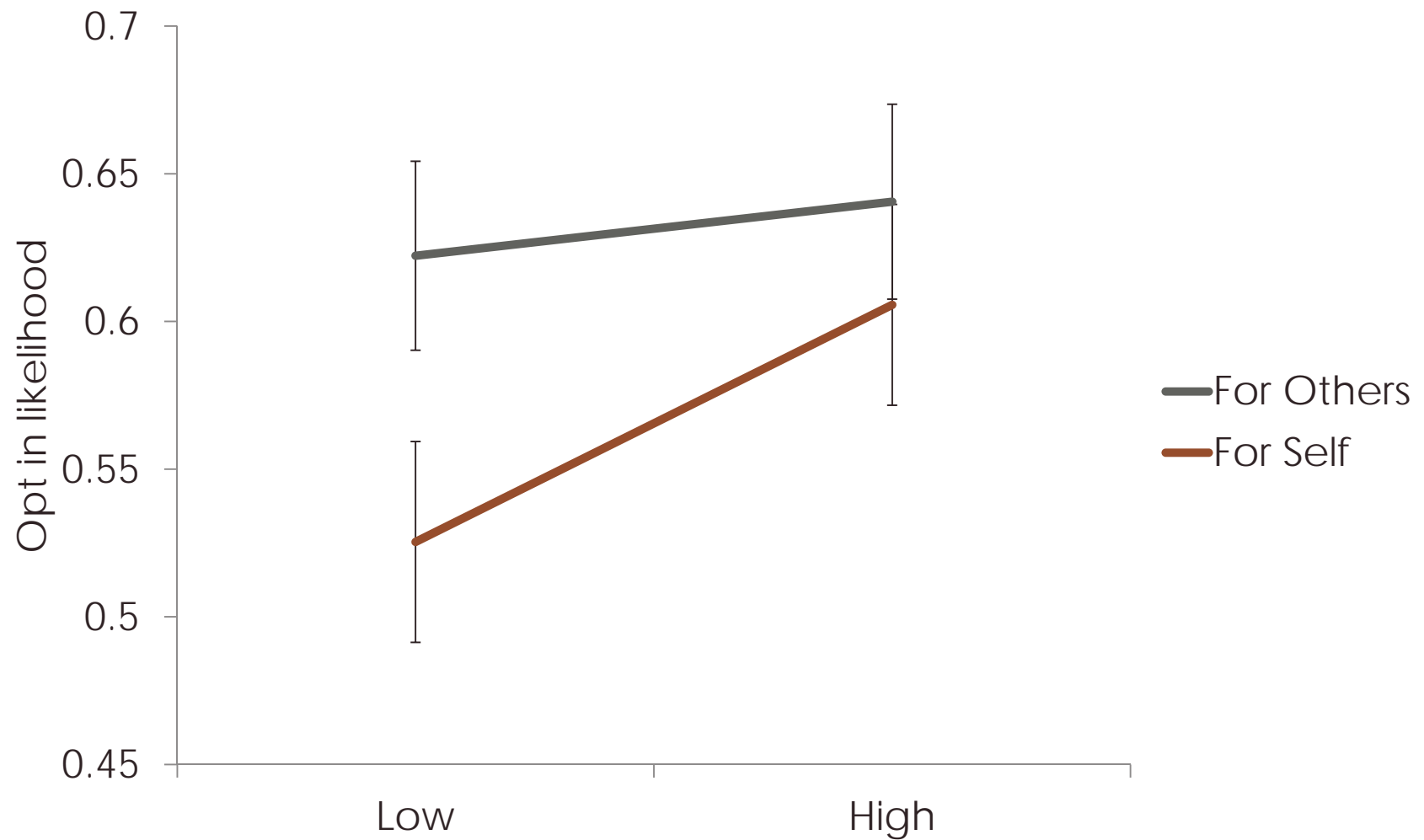
Results

- ▶ Main effect of the Prosocial incentive scheme: 19.1% of students opt in For Others vs. 7.4% For Self, $p < .01$
- ▶ Significantly more sign-ups in Public and Private For Others (23.9% and 15.1%, respectively) compared to Public and Private For Self (6.79% and 8.09%, respectively), $p < .05$
- ▶ Making participation Public had an effect on sign ups only in the Prosocial treatment: 23.9% in For Others vs. 15.1% in Private, $p < .05$

Experiment 4: Online Labor Spot-Market

- ▶ Incentivize workers from Amazon Mechanical Turk's spot-market
- ▶ Task: Collect images of wildlife for a database
- ▶ Bonus Incentive: Low/\$0.01 per 10 images vs. High/\$0.10 per 10 images
- ▶ Beneficiary: For Self vs. For Others (i.e., for charity)
- ▶ How many workers opt in to the incentive scheme by finishing the task?

Results: Opting in to bonus incentive



Conclusion

- ▶ Individuals do not seem to avoid prosocial incentives but rather are more likely to opt in to a task compared to those presented with a standard incentive scheme
- ▶ Individuals were significantly more likely to participate in the recycling drive when money from recyclables went to charity rather than themselves.
- ▶ Evidences suggests that making the behavior public may enhance the effect of prosocial incentives



DYNAMICS IN PROSOCIAL BEHAVIOR

Dynamics of prosocial behavior

- ▶ Important to understand how people make moral choices over time
- ▶ Does a moral choice make subsequent prosocial behavior more or less likely?
- ▶ Important for timing of solicitations

Moral licensing vs. Moral consistency

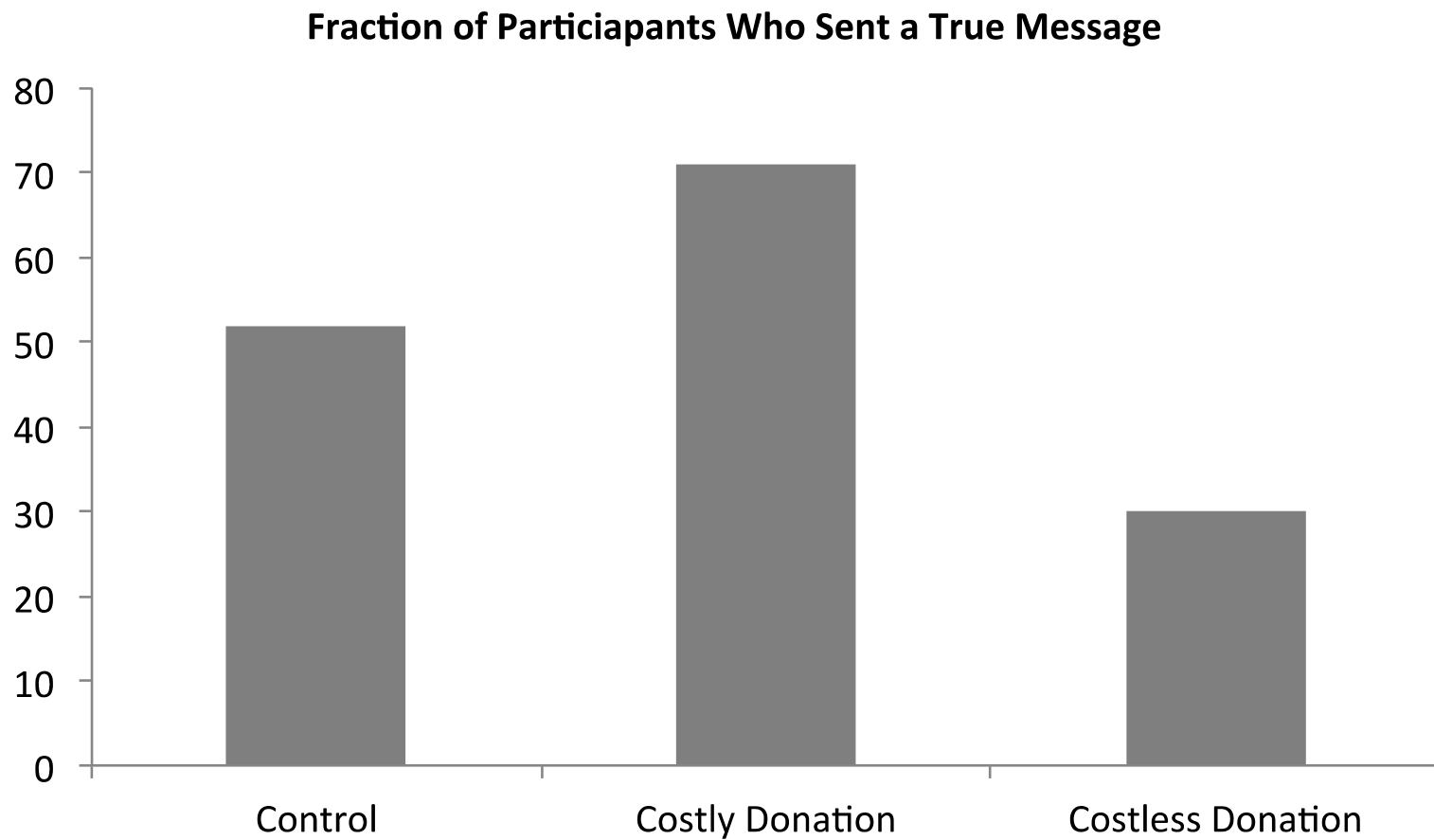
- ▶ Robust evidence for both effects
- ▶ Challenge to find which effect dominates in real-world situations

In the lab

Manipulated the cost of initial prosocial behavior → played game in which they choose whether to lie

- Cost manipulation (Senders)
 - **Costly Donation:** \$2 will be taken from their compensation and be donated to Make-A-Wish Foundation
 - **Costless Donation:** A \$2 donation to Make-A-Wish Foundation will be made on their behalf, independent of compensation
 - **Control:** No donation
- Next, participants played the Sender-Receiver game (Gneezy 2005)

Experiment 1 – Truthfulness

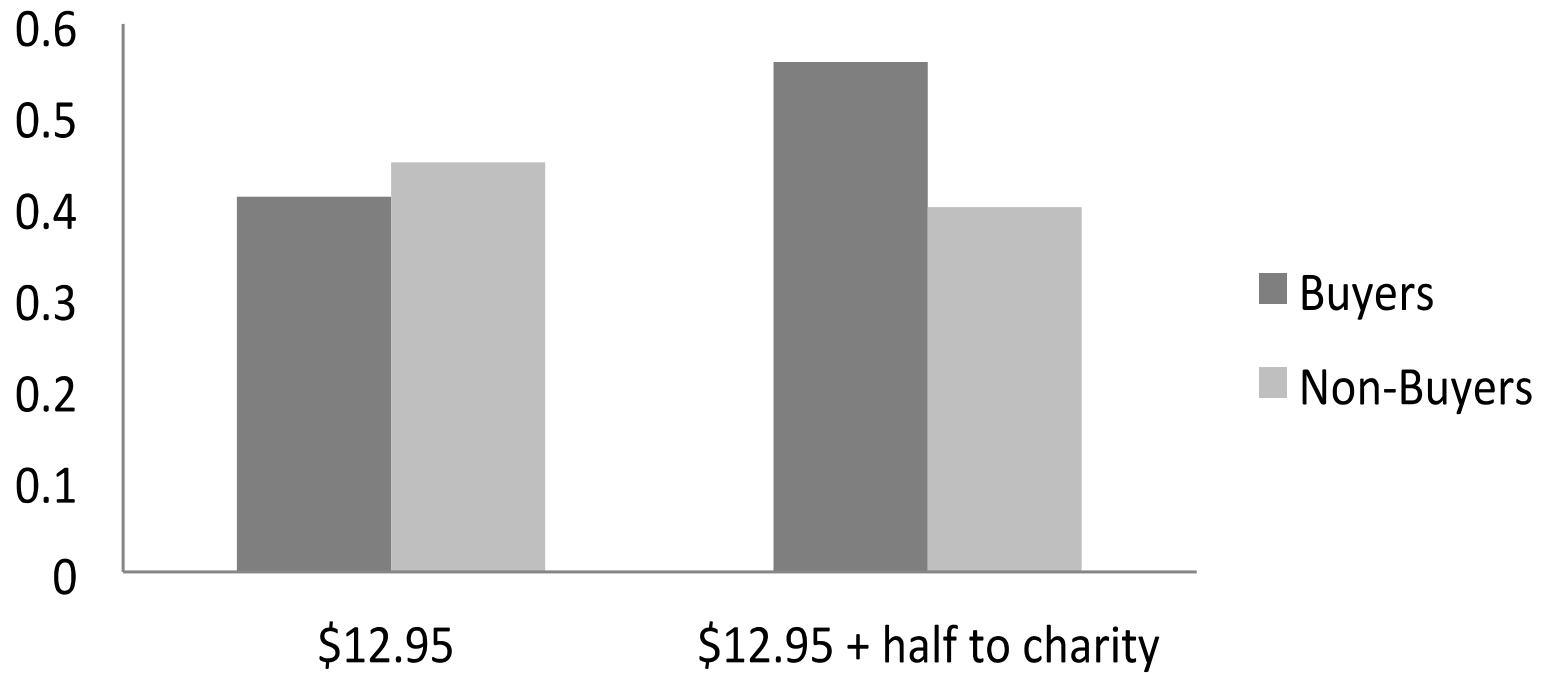


In the field

- Field experiment at a large amusement park (N = 363)
- Guests' photos taken during a ride – can be purchased at the exit from the ride
- Could purchase additional merchandise in store
- Experimental treatments:
 - **Non-prosocial** - Buy photo at fixed price (\$12.95)
 - **Prosocial** - Buy photo at fixed Price (\$12.95) + half to charity
- DV: fraction of guests buying additional merchandise for Self vs. Other (conditional on buying a photo)

Results

**Percentage of Customers Purchasing Merchandise as a Gift
for Someone Else**

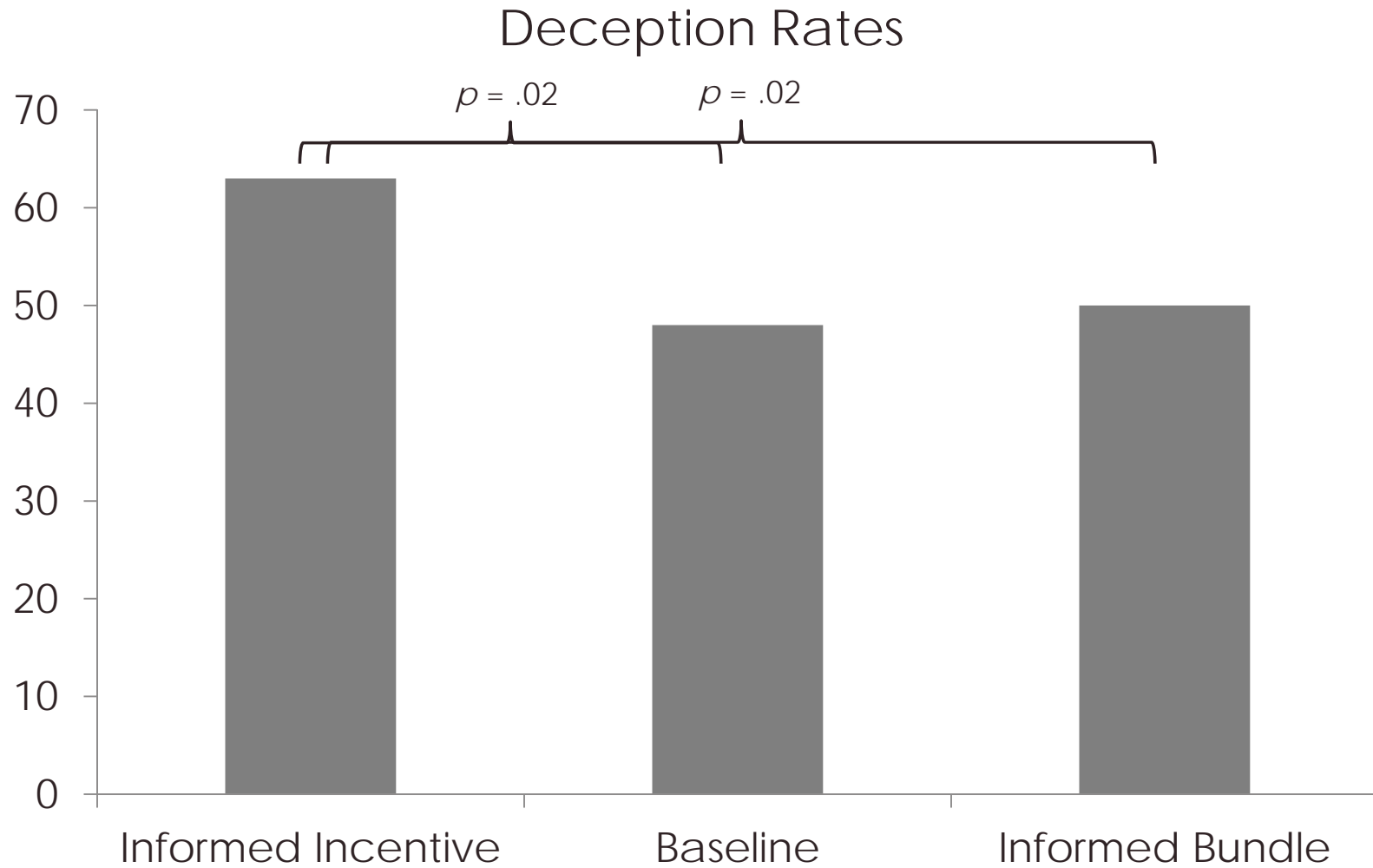




Strategy

- Does informing individuals about prosocial opportunities change ethical behavior?

Information increased lying



Conclusion

- An initial costly prosocial behavior produces Moral Consistency (vs. Moral Licensing)
- An initial costless prosocial behavior produces Moral Licensing
- Change in behavior is due to a shift in one's prosocial identity when initial prosocial act is costly



Thank you!