Influence of Financial and Behavioral Incentives on Voluntary Activity

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Abstract

Economics research traditionally assumes that the human motivation is driven by material incentives and goals. However, over the years, as the field of behavioral economics has evolved, the notion of a fully rational decision-maker was gradually replaced by an individual who responds to variety of incentives, including financial, monetary, and behavioral incentives (Kahneman and Tversky, 1979). The notion of behavioral incentives seems to be widely accepted today, although the efforts to characterize it and to understand its components is still ongoing. See, for example, Pink (2011).

In this study, we run a field experiment to assess the effects of two different types of incentives—external-financial incentives and behavioral incentives—on the outcome of fundraising activities by a group of volunteers. We do this by replicating the experiment of Gneezy and Rustichini (2000), who found that small financial incentives can lead volunteers to exert smaller effort than no financial incentives at all. Our goal is to examine the validity of their findings (which were published 20 years ago) in the context of a contemporary youth culture, and to compare the effectiveness of financial incentives to the effectiveness of behavioral incentives.