Beyond bonuses: the incentive effect of a prosocial initiative on bankers *

Nava Ashraf† Oriana Bandiera‡ Alexia Delfino§ Matteo Fossi¶

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Abstract

Organizations use rewards tied to individual performance to attract, motivate and retain productive employees. Individual rewards, however, might mute social preferences and stifle cooperation. To tackle this trade-off, standard financial incentives are often coupled with initiatives to foster prosociality in the workplace. Whether and how these affect performance and retention is largely unknown. We partner with one of the worlds largest banks and embed a field experiment within the launch of a new initiative meant to promote pro-sociality. The initiative consists of an electronic platform where employees can sign-up for, and propose, volunteering activities coupled with two extra days of paid leave per year to engage in such activities. We vary the exposure to the new program across the banks 676 offices and 36,000 employees within them by randomising receipt of the email that announces the launch of the program. Our design allows us to study the effect of the policy at three different randomization levels: office, team and individual. We follow employees for two years and study the joint evolution of volunteering behaviour, perceived fit within the bank, work performance and exits. We find that the initiative improves the employees perceived fit and increases volunteering, performance and retention. Estimated effects at the office level are orders of magnitude larger than the sum of individual effects, implying strong complementarities. Approximately 50% of the total impact is due to the same employees behaving differently and the rest by changes in the composition of the workforce. We explore the link between individuals opportunity cost of time and program effectiveness. While all employees have the same allowance of volunteering days, uptake vary from 0% in the top ranks, to 35% among the lowest levels. We find that the programs effect on perceived fit and performance is negative for employees at the very top, and that the low uptake by senior ranks reduces the positive impact on all employees, with lower performance in offices with wider gaps in volunteering. We conclude that encouraging pro-social activities in a setting where incentives create large variation in the opportunity cost of time of different individuals can exacerbate cleavages.

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†STICERD and Department of Economics, LSE
‡STICERD and Department of Economics, LSE
§Department of Economics, Bocconi University
¶STICERD and Department of Economics, LSE