

Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service*

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Abstract

We study a recent recruitment drive for public sector positions in Mexico. Different salaries were announced randomly across recruitment sites, and job offers were subsequently randomized. Screening relied on exams designed to measure applicants' intellectual ability, personality, and motivation. This allows the first experimental estimates of (1) the role of financial incentives in attracting a larger and more qualified pool of applicants, (2) the elasticity of the labor supply facing the employer, and (3) the role of job attributes (distance, attractiveness of the municipal environment) in helping fill vacancies, as well as the role of wages in helping fill positions in less attractive municipalities. A theoretical model of job applications and acceptance guides the empirical inquiry. We find that higher wages attract more able applicants as measured by their IQ, personality, and proclivity toward public sector work—that is, we find no evidence of adverse selection effects on motivation; higher wage offers also increased acceptance rates, implying a labor supply elasticity of around 2 and some degree of monopsony power. Distance and worse municipal characteristics strongly decrease acceptance rates, but higher wages help bridge the recruitment gap in worse municipalities.

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