≡ Menu

Identity and the Economics of Organizations

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Abstract

The economics of organizations is replete with the pitfalls of monetary rewards and punishments to motivate workers. If economic incentives do not work, what does? This paper proposes that workers' self-image as jobholders, coupled with their ideal as to how their job should be done, can be a major work incentive. It shows how such identities can flatten reward schedules, as they solve "principal-agent" problem. The paper also identifies and explores a new tradeoff: supervisors may provide information to principals, but create rifts within the workforce and reduce employees' intrinsic work incentives. We motivate the theory with examples from the classic sociology of military and civilian organizations.

Citation

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JEL Classification

D23 Organizational Behavior; Transaction Costs; Property Rights

D82 Asymmetric and Private Information; Mechanism Design

J28 Safety; Job Satisfaction; Related Public Policy

J41 Labor Contracts

M14 Corporate Culture; Diversity; Social Responsibility

M50 Personnel Economics: General