

Wonderful and Woeful Work:
Incentives, selection, turnover, and workers' motivation

Geweldig en ellendig werk:
Prikkels, selectie, personeelsverloop en de motivatie van werknemers

Proefschrift

ter verkrijging van de graad van doctor aan de
Erasmus Universiteit Rotterdam
op gezag van de
rector magnificus
Prof.dr. S.W.J. Lamberts
en volgens het besluit van het College voor Promoties

De openbare verdediging zal plaatsvinden op
donderdag 18 januari 2007 om 13:30 uur
door

Josse Delfgaauw
geboren te Delft

Contents

Preface	v
1 Introduction	1
1.1 Key elements	3
1.1.1 Intrinsic motivation at work	3
1.1.2 Monetary incentives and selection	4
1.1.3 Job satisfaction and turnover	5
1.2 Overview of the thesis	6
2 Signaling and Screening of Workers' Motivation	11
2.1 Introduction	11
2.2 Related literature	15
2.3 Optimal monetary incentive schemes for motivated workers	18
2.4 Attracting and selecting motivated workers	23
2.4.1 Setup of the model	23
2.4.2 Observable motivation	24
2.4.3 Unobservable motivation	27
2.4.4 Motivation can be signaled	28
2.5 Signaling and screening with optimal monetary incentive schemes	29
2.6 Concluding remarks	33
2.A Appendices	35
3 From Public Monopsony to Competitive Market: More Efficiency but Higher Prices	41
3.1 Introduction	41

3.2	Related literature.	45
3.3	The model	47
3.4	Competitive market	49
3.5	Public monopsony.	51
3.6	A continuum of worker types.	54
3.6.1	Competitive market	54
3.6.2	Public monopsony.	55
3.7	Conclusion	57
3.A	Appendices.	59
4	Incentives and Workers' Motivation in the Public Sector	63
4.1	Introduction.	63
4.2	Related literature.	68
4.3	The model.	71
4.4	Unverifiable effort in the public sector.	73
4.5	Verifiable effort	75
4.6	Social welfare.	80
4.7	Concluding remarks	83
4.A	Appendices.	84
5	Dedicated Doctors: Public and Private Provision of Health Care with Altruistic Physicians	89
5.1	Introduction	89
5.2	Related literature.	93
5.3	The model	94
5.4	Results.	97
5.4.1	Purely public provision.	97
5.4.2	Mixed provision.	98
5.4.3	Comparing purely public and mixed provision.	104
5.4.4	Subsidising private health care.	105
5.4.5	Moonlighting	108
5.5	Concluding remarks.	110
5.A	Appendix.	112

6 The Effect of Job Satisfaction on Job Search: Not Just Whether, But Also Where	117
6.1 Introduction	117
6.2 Data	120
6.3 Estimation method	126
6.4 Results	128
6.4.1 Job satisfaction and job search	128
6.4.2 Direction of search efforts: within or outside the current organisation.	130
6.4.3 Direction of search efforts: within or outside the current industry.	135
6.5 Concluding remarks.	139
6.A Appendix	141
7 Where To Go? Workers' Reasons to Quit and Intra- versus Interindustry Job Mobility	143
7.1 Introduction	143
7.2 Job mobility.	146
7.3 The data	147
7.4 Workers' reasons to quit and wage growth	152
7.5 Where to go?	155
7.5.1 Intra- vs interindustry mobility.	155
7.5.2 Workers' reasons to leave the public sector.	159
7.5.3 The wage effects of a change in industry.	161
7.6 Conclusions	162
8 Summary and directions for further research	165
8.1 Summary	165
8.2 Directions for further research	171
Samenvatting (Summary in Dutch)	173
Bibliography	187