

Abstract

Do financial incentives motivate people to work better? A plethora of research papers in psychology have long tried to answer this question, together with more recent papers from behavioral economics. We take a stock of emerging research in economics and conduct a quantitative analysis from a strictly economic point of view. We collect a total of 1568 estimates from 44 different studies and codify over 30 variables to capture the underlying nature of the effect money has on motivation and performance. A range of statistical tests suggests the overall effect to be virtually zero, which we confirm using a specific design check. We then employ Bayesian and frequentist model averaging to identify the most prominent determinants of the effect. Among these, publication bias pushes this effect upwards the most, along with laboratory setting and positive framing in the task. Six variables then pull the effect in the opposite direction - school setting, charitable giving, cross-sectional data, self-reward, quantitative performance, and students subgroup.