

# **“Monetary and Non-Monetary Incentives for Teams: Evidence from Two Field Experiments”**

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## Abstract

Tournaments are widely used as an incentive device, but experimental field evidence on their effects on performance is still thin. The effect on performance is, however, not trivial as a tournament has two effects. First it gives workers feedback about their performance and, second, it gives monetary incentives through a prize.

For this paper we designed a field experiment to quantify the effect of tournaments on productivity and workplace organization. We can compare tournaments to individual incentives (piece rate) but the design of the experiment is such that we can separately identify the effect of information and prizes.

Our main findings are that, on average, information lowers productivity while prizes increase it, so that the net effect is zero. However, we find that the average effect is a combination of heterogeneous effects at different quantiles: at low ability quantiles, i.e. for weak workers, the information effect is negative and the prize effect is nil so that tournaments reduce productivity, but at high ability quantiles, the information effect is nil and the prize effect is positive so that tournaments increase productivity

We also assess the effect of the tournament on workplace organization. Workers work in teams, the composition of which is at their discretion. In the control regime, workers are paid piece rates based on team productivity. We find that both information feedback and prizes lead to a change in team composition: after the introduction of the tournament teams are more likely to be formed among workers of similar ability and teams are less likely to be formed among workers belonging to the same social network.