

More Evidence That Incentives Fail

May 2009

More Evidence That Incentives Fail

By Alfie Kohn

Punished by Rewards is surely the only book from which excerpts were simultaneously published in Parents magazine and the Harvard Business Review – evidence of how pervasive is our culture's embrace of pop-behaviorism. In the family, the workplace, and the classroom, more-powerful people try to control less-powerful people by dangling some sort of reward in front of them if they do what they're told. And evidence continues to accumulate that this strategy not only doesn't work but tends to make things worse in various ways.

In an op-ed in USA Today, I summarized what the research says about the use of financial incentives to help people quit smoking or lose weight. What it says is that they don't work, at least not for very long. Rewards for becoming healthier aren't just less effective than other strategies – they actually tend to undermine the effectiveness of those other strategies.

But for evidence of the perverse effects of incentives, you don't need to read reports in academic journals. The daily paper will do.

Take the current financial crisis. "Questions are being asked about what role lavish bonuses played in the debacle," as a recent front-page story in the New York Times delicately put it. But the point

isn't just that bonuses are lavish (or in some cases funded by our taxes). "Pay was tied to profit, and profit to the easy, borrowed money that could be invested in markets like mortgage securities." Meanwhile, senior managers who should have halted reckless speculation by the traders didn't do so . . . because their bonuses, too, were on the line.

An even darker example appeared in the Times last fall: "Colombia's security forces are increasingly murdering civilians and making it look as if they were killed in combat, often by planting weapons by the bodies or dressing them in guerrilla fatigues." One can understand the motive for that post-mortem deception after the accidental killing of an innocent. But why the widespread, deliberate murder of civilians in the first place? Ideological fervor? It turns out that soldiers have been "under intense pressure in recent years to register combat kills to earn promotions and benefits like time off and extra pay."

*It's an extreme, gruesome illustration of a familiar pattern. Offer performance bonuses to auto mechanics, and unnecessary repairs will be performed on a regular basis. (When that happened at Sears in the early '90s, the company finally was forced to eliminate its incentive pay system.) Offer rewards to educators for high test scores, and reports of improprieties in the administration of testing will show up repeatedly. [Addendum 2016: Offer incentives to bank employees for the number of new accounts they open, and they'll set up millions of **fake accounts** – and apply for credit cards without telling customers.] Behaviorists keep insisting that we're just rewarding the wrong things and need only tweak the incentives. But after enough disasters it becomes harder to avoid the suspicion that the problem is inherent to the very idea of "do this, and you'll get that."*

Even beyond the abuses, rewards simply don't produce quality. Some say it's just because the rewards aren't large enough to make a difference. But a brand-new series of experiments published in the Review of Economic Studies finds that relatively large incentives are especially detrimental to performance, notably on

tasks that require “even rudimentary cognitive skills,” according to lead author Dan Ariely of Duke University. It appears that the provocative conclusion offered in PBR is still accurate after 16 years: No controlled study has ever found a long-term improvement in the quality of work as a result of any kind of incentive plan. And yet those plans are as popular as ever.

Again: the trouble isn't with the size of the rewards, or the type, or the schedule on which they're offered. The trouble is with the inadequate model of motivation on which rewards, per se, are based. And the data continue to roll in. A few months ago, two researchers at the Max Planck Institute in Germany **reported** (in the journal *Developmental Psychology*) that, while “children are highly motivated from an early age to help others,” those who received a reward for being helpful subsequently became less likely to help.

Many earlier studies had supported the general principle that the more people are rewarded for doing something, the more they tend to lose interest in whatever they had to do to get the reward (see PBR, chapter 5). Some of those studies had even confirmed that this is true of helpfulness and caring in particular. But the new study is the first to show that rewards can do their damage even before children are two years old. And what they do to a toddler's altruistic tendencies they also do to an investment banker's common sense.

To be notified whenever a new article or blog is posted on this site, please enter your e-mail address at www.alfiekohn.org/sign-up.

Back to Blogs