

# Introduction

According to a survey<sup>1</sup> carried out in spring 2005, work is positively brought up by most French workers. To the question "When thinking about your work, what words come ...rst to your mind?"<sup>2</sup>, 49% of respondents mention "Interest", 42% "pleasure". "Stress" is mentioned by 32% of respondents; "Chore", "Boredom", and "Suffering" respectively by 8, 5, and 5% of respondents. From the perspective of economics, such ...gures are quite strange. The very fact that an activity requires a positive transfer implies that this activity is costly to the agent who carries it out; hence, one should be particularly doubtful that a worker could take "pleasure" at work. Yet, the statistical checking of this kind of subjective data with facts is far from always being invalidating.<sup>3</sup> Furthermore, some observations, consistent with intuition, contribute to make such data looking informative. The fact, for instance, that negative mentions - "Chore", "Boredom", "Suffering" - are more likely among less favored occupational groups or that "interest" is particularly strong among the workers with higher degrees.

Anyway, this kind of survey<sup>4</sup> suggests that working persons develop affective responses to their job: it looks to be a bit more than simply a source of incomes.

Is labor economics concerned by such data? As a positive discipline, it rather recommends to see them as statements which contradict to facts. From a normative point of view, to limit with traditional missions of economic analysis (such as the seek of efficiency), one hardly see the extent to which such data can matter. These data reflects states of mind which are not a priori within economic analysis province. Yet, these

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<sup>1</sup>Survey carried out by TNS Sofres institute among a group of 4000 persons representing the population of over 15 years old living in France.

<sup>2</sup>Two possible answers.

<sup>3</sup>For example, subjective measures of work satisfaction are significantly correlated, with the expected sign, to many variables considered as good proxies for well-being (psychological health, life expectancy, exposure to heart attacks...).

<sup>4</sup>For a similar detailed survey carried out in the U.S., see Lane (1991) or Juster (1991). Juster observes:

The chief surprise in these data is the next-to-last ...nding [...] that the intrinsic rewards from work are, on average, at least as high as the intrinsic rewards from leisure. Juster (1991, p. 95)

kind of data could help understand certain facts having clear economic implications. For instance, higher absenteeism rate among less favored occupational groups or workalcoholism. The employment relation efficiency could be affected.

Conventional labor economics does not allow to easily account for these mechanisms. Affective phenomena can hardly enter corresponding analytical framework: favoring a narrow interpretation of the rational choice theory makes the attempt doubtful. The behavioral approach attempts to provide a framework allowing the integration of workers' affective responses to their employment conditions. The core idea is to base economic analysis on realistic behavioral assumptions, resulting from empirical investigations. In particular, the form of preference are not derived from the rationality hypothesis but from facts. As far labor economics is considered, behavioral approach advocates a systematic exploration of the form of individual preferences within the framework of the employment relation. Within an applied economics perspective, this approach could be regarded as a natural take over from neoclassical theory which, by considering agents liberated from psychology, focus on the role of the environment of individual decisions. The behavioral approach is somewhat a synthesis between the neoclassical approach (for which the utility function is a black box) and social psychology (which provide evidence as regards the form of preferences but does not offer sophisticated models of how behaviors respond to changes in the decision environment).

Affective responses of individuals to their employment conditions and motivation.

To the question "As regards your job, from which of the following situations do you feel the closest?", 2% of working persons declare not to feel involved, 49% to feel involved to "give the priority to [their] personal life," 41% that their "work matters as much as [their] personal life," 8% that "work comes before everything else or almost." By distinguishing between several levels of work involvement, such data address the issue of work motivation. Kaufman (1999, p. 366) defines motivation as "the forces that energize and guide behavior. According to conventional analyses of the employment relation, work motivation of an employee almost exclusively lies on pecuniary incentives set by the employer. Within the framework of the employment relation as any other economic

situations, agents' motivation is extrinsic. Observation rather suggests that "incentive" and "motivation" are not synonymous with each other. On the one hand, incentives can exist without motivation. The famous Hawthorne experiment - see Kaufman (1999, p.370) - provide an example in which workers do not increase output although incentive rates are increased. On the other hand, as shown in the first chapter of this thesis, a motivation may exist without incentives. The behavioral approach enhances the economic analysis of work motivation by examining the possibility that a worker develops an intrinsic motivation to exert.

The point is not about questioning that incentives guide the behavior. On the contrary, the point is about the interplay between incentives and intrinsic motivation (see chapter 1).

#### Issues raised in this thesis

What are the affective responses induced by work due to? How can work be a source of satisfaction (and even "pleasure")? Why is it not the case for all workers? In this thesis, we attempt to answer these questions by inserting self-esteem concerns among the argument of individual well-being.

Psychologists consider that the self is something else than simply a unity of perception, calculation and decision. Individuals develop a self-image from their social experiences, from interaction within a reference group.<sup>5</sup> The normative evaluation they make of themselves - of their actions, of their qualities or, in the workplace, of their skills - conditions their self-esteem. The aspiration of individuals to self-esteem represents a base to conceive of an intrinsic motivation. The origin of this drive, according to Deci (1975), is the innate need of every person to feel competent and self-determining relative to his or her environment.

This idea can be applied to work effort: the concern to achieve self-esteem through work can represent a source of intrinsic motivation. An individual opting for achieving self-esteem through work will define his occupational or workplace group as his reference group and develop his self-image from his workplace experiences.

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<sup>5</sup>Part of individual self-image lies on objective characteristics (for instance, one's gender or occupation), another on feelings and subjective opinions (one's value or beauty).

If work is a source of disutility (on the margin), as assumed in most economic models, workers have an incentive to call in sick, work at the minimum speed, and loaf whenever possible. To prevent this, firms hire supervisors and managers to monitor employees and set up elaborate disciplinary procedures to provide deterrents and punishments. It is widely argued in the management and organizational economics literature, on the other hand, that a cheaper and more effective method exists to elicit employee work effort and dedication - Lawler (1992), Levine (1995). That is to make the work interesting and self-managed, such as through autonomous work teams and job enlargement/job enrichment. When these practices are implemented, it is argued, work becomes much more intrinsically satisfying and workers become more internally motivated to work hard and attend regularly; as a result, firms no longer need as many supervisors and punitive disciplinary systems, and employee productivity reaches higher levels than can be obtained through manipulation of external rewards and punishments.

In the first case (narrow monitoring), workers' self-esteem concerns refer to their personal lives; in the second (job enlargement), to their working lives.

What are the arguments of the self-esteem of individuals deriving themselves from their work experiences? Previous observations seem to recommend to look after these arguments in employment conditions. Hence, employment conditions which make workers "to feel competent and self-determining" should encourage them to achieve self-esteem through work. But other factors are likely to condition this choice: the rewards granted by the employers, whether they be financial or not. When financial, the role of rewards has nothing to do with their consumption equivalent: the point is about the recognizing of a worker's contribution. That is through the positive self-evaluation allowed by these rewards that they carry motivational power.

As some reflections of a self-esteem achievement strategy (personal life versus working life), the affective responses revealed by the survey appear to have potential behavioral equivalents likely to affect the employment relations profitability and efficiency. What of the functioning of the labor market? If an heterogeneity exists in employment conditions likely to differentiate the properties of various jobs as regards their potential to stimulate self-esteem, a new kind of duality should appear in the labor market: on the one hand (1) job hold by workers who develop an intrinsic effort motivation as a result of seeking

self-esteem through work; on the other hand (2) job hold by workers seeking self-esteem in their personal life. Consistent with this insight, let us notice that, according to the survey, individuals in the less favored occupational groups give significantly more "the priority to [their] personal life" than the average, while executives and respondents with a higher education degree are more likely than the average to answer that their "work matters as much as [their] personal life." At the same time, a predisposition of some working persons to achieve self-esteem through work should represent an advantage in jobs (1). As far this point is considered, let us notice that, still referring to the same survey, women are more prone than men to give "the priority to [their] personal life."

Hence, in this thesis, we study the implications of self-esteem motivations on the employment relation and on labor market functioning; we further propose an application to the issue of socio-demographic disparities in the labor market.

### Socio-demographic disparities in the labor market

By "socio-demographic disparities," we mean all the phenomena revealing individual experiences in labor market differentiated depending on non-productive criteria such as gender, skin color, ethnic origins, age... In particular, the point is about socio-demographic gaps in average earnings and occupational segregation in the labor market. The notion of socio-demographic occupational segregation refers to the case in which workers belonging to some identifiable group are overrepresented in some jobs, underrepresented in others.

Certain social groups manifest a predisposition to the achievement of self-esteem through work. The resulting capacity to develop an intrinsic work motivation represents an advantage in certain jobs. The belonging of such and such socio-demographic group can thus be a criteria to a selective hiring. We will refer to a selective hiring rather than to hiring discrimination: indeed, hiring discrimination occurs if job applicants with similar productive features but belonging to different socio-demographic groups do not have the same opportunities in the labor market. In our analysis, the predisposition of some applicants to achieve self-esteem through work, i.e. their capacity to develop an intrinsic motivation, provide them with specific productive aptitudes: favoring them is not discriminatory. But still, to the extent such aptitudes are hard to catch statistically,

seeming discrimination may in fact correspond to our approach.

Socio-demographic differences in affective responses to employment such as revealed in the opening survey can feed the idea (the belief) of a differentiated capacity to develop an intrinsic work motivation. In its turn, this (believed) differentiated capacity justifies a selective hiring (upon socio-demographic criteria) in some jobs, and ...nally, a special kind of occupational segregation.

The approach in this thesis, and the explanation it provides

In this thesis, we have adopted an approach Akerlof<sup>6</sup> refers to as behavioral macroeconomics. Behavioral assumptions are borrowed to social psychology, and what is at stake is to study their economic implications (behavior is the starting point of the analysis).

Two main aspects characterize our analysis: the mode of endogenizing individual preferences on the one hand, a double heterogeneity on the other.

Formally, we introduce self-esteem motivations from the notion of identity. We give an account of the mechanisms suggested above from a trade-off between a "workplace identity" and "out-of-the-workplace identity." This choice between two identities is a way to endogenize individual preferences. The idea that agents may choose between two structures of preferences allow us to combine sociological and economics arguments while limiting the arbitrariness of a specification choice. If an agent manifests a concern to conform his actions to a norm, that is because it increases his well-being, otherwise his behavior keeps being drive by conventional assumptions of the employment relation economic analysis. This is an important advantage of Akerof's approach to allow the dialogue between sociological and economic arguments.

In the conventional perspective, the main source of heterogeneity between jobs is in their degree of demands. The theory of compensating differentials offers an explanation of how a labor market in which jobs are variously demanding should be regulated. Our approach leads us to focus on another kind of heterogeneity between jobs: various jobs offer different non-wage gratification opportunities. This distinction may appear as semantic. If all the workers had the same relationship to their job (the same identity), the

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<sup>6</sup>Akerlof, G. (2001). Behavioral Macroeconomics and Macroeconomic Behavior, Prize Lecture.

two aspects (degree of demands, non-wage gratification opportunities) would merge in the single notion of "psychic income" characterizing each job. But an individual achieving self-esteem outside work is insensitive to the non-wage gratification opportunities provided by his job! While all workers experience the demands attached to a job, they do not always perceive the non-wage gratification opportunities it offers.

### Plan of thesis

This thesis comprises five chapters. The first chapter is devoted to the empirical motivation of our analysis. We examine the case of work organization achieving better performances with little recourse to individualized incentives schemes nor narrow monitoring of workers. We thus put the stress on non-pecuniary work motivation. We then have a look to the evidence likely to enlighten these motivations by considering the empirical foundation of the behavioral approach in labor economics. Chapter 2 considers the theoretical counterparts of the observations made in chapter 1. We successively consider microeconomic behavioral analyses of the employment relation and the analyses directly based on the results of social psychology. This leads us to the works of Akerlof and Kranton who propose to use the notion of identity as a tool for economic analysis. These works are the most directly connected to what we propose from the chapter 3 on. Our specific contribution is indeed spread in chapter 3 to 5.

The analysis in chapter 3 lies within the framework of a standard agency model. We successively consider the case of perfect information as regards effort (costlessly monitored jobs) and that of moral hazard. In line with Akerlof and Kranton (2000), we tackle issues of self-esteem through identity building. We show that both the profitability and the efficiency of the employment relation may depend on the non-wage gratification opportunities workers draw from it. Job non-wage characteristics, the extent to which they echo workers' self-esteem concerns play a crucial part. In our analysis, beyond effort decision, agents choose between achieving self-esteem through their job or through other activities outside the workplace. In terms of identity, they choose between a workplace identity and an out-of-the-workplace identity. When holding the workplace identity, agents have an intrinsic motivation to make effort at work to the extent it conditions their self-esteem. Employers have an obvious interest in this choice: intrinsic motivation

to make effort may allow them to reduce extrinsic incentives. The identity decision of an agent is assumed to depend on the characteristics of the job offered by the principal but also on pay. Hence, the principal can influence the agent's choice by offering wage amounts which meet standards of the workplace identity.

In the chapter 4, we apply our model to the problem of socio-demographic disparities in the labor market. Occupational segregation is the core of our interpretation of these socio-demographic disparities. To focus on male/female disparities, what is at stake in chapter 4 is to make explicit the rationales for the observed occupational segregation and to indicate why men (respectively women) are overrepresented (resp. underrepresented) among the better paid jobs. In this way, we provide an explanation of average earnings gap between men and women. Some evidence gathered by Akerlof and Kranton (2000) suggest that our argument might be applied to other socio-demographic divides. This argument relies on the idea that different strategy of self-esteem achievement from the individuals belonging to one socio-demographic group to the other, may contribute to explain: why some employers prefer applicants of such and such group: that socio-demographic groups be unequally distributed between occupations.

The last chapter propose to focus on the segregative mechanism posited in chapter 4. The point is about clarifying the channel through which the type of segregation we consider impacts on average earnings of each socio-demographic group within a more appropriate framework. We leave aside issues of information asymmetries characterizing the employment relation to study how our identity trade-off interplays with market mechanisms. This choice allow us to more directly explore the conditions under which our argument is valid. The option examined in this thesis lies on the idea that non-wage differences between jobs on the one hand, heterogeneities among workers on the other hand, justify employers with market powers. We hence keep consider labor market as an oligopsony. Such an assumption allows to reproduce and to clarify the case considered in chapter 4 and to study the impact of competition between hiring offers on our argument regarding socio-demographic gaps in average earnings. The model in this chapter ...nally help highlighting the very nature of our argument: it is a macroeconomic argument. The earning gap favorable to the "dominant" group does not trivially derives from the predisposition of this type of workers to the workplace identity. This predisposition can



indeed lead them to accept "low" pay relatively to the degree of demands of the job under consideration, that a worker of the "dominated" group would not have accepted. By providing an example for which the gap in average earnings is favorable to the "dominated" group, we put forward the role of the composition of the job pool in the emergence of socio-demographic disparities.