

Rethinking worker motivation: Why competition may hurt more than help

AUTHORS | Ankush Asri, CMI and University of Konstanz, Viola Asri, CMI

Summary

Monetary and non-monetary incentives are widely used to increase productivity, but not all incentives work as intended. Based on a large online experiment, this brief summarises a recent paper showing that tournament-based incentives, such as bonus payments for top performers, and negative feedback reduce productivity and motivation, while positive feedback has no measurable effect. Workers discouraged by competitive settings are more likely to quit early, perform poorly, and ultimately contribute less output. These findings urge employers and managers to reconsider incentive strategies that may harm rather than help worker performance, especially in the longer term.

The challenge to motivate workers

Motivating workers to sustain effort and productivity and to complete demanding tasks is a persistent challenge in both digital and non-digital settings. Common management strategies include performance-based pay, competitions, and performance feedback. But do these interventions truly increase output, or might they backfire? This policy brief draws on experimental evidence to explore how different incentive strategies affect how hard people work, whether they stay engaged, and for how long.

What we already know

Research has long shown that piece-rate incentives can increase productivity, but such systems often require costly monitoring. Tournament-based rewards, where only top performers receive bonuses, are seen as an efficient alternative. However, evidence from both laboratory and field studies suggests these incentives may discourage those who perceive they are unlikely to be able to become a top performer from receiving a bonus. Women and other disadvantaged groups, in particular, tend to withdraw or reduce effort in competitive environments, leading to unintended exclusion and lower overall output¹.

Beyond monetary incentives, many organisations rely on feedback and recognition to encourage motivation. While symbolic rewards and positive feedback may reinforce a sense of purpose², our study aligns with findings that these do not always improve performance.³

Key Points

- Tournament incentives can demotivate workers and lead to early dropout
- Negative feedback reduces performance and should therefore be avoided

¹ (Gneezy et al., 2003; Iriberry & Rey-Biel, 2019; Buser et al., 2019)

² (Bradler et al., 2016; Kosfeld & Neckermann, 2017)

³ (Robinson et al., 2021)

More critically, negative feedback, or perceived incivility, can harm productivity. Prior research links rude or condescending behavior to stress, lower job satisfaction, and reduced cognitive functioning⁴. Our results suggest that even brief exposure to negative cues can demotivate workers, especially in repetitive or isolating tasks.

Experimental design

To examine how different motivational strategies influence worker performance and persistence, we conducted a randomised online experiment using Amazon Mechanical Turk (MTurk). Our sample included 2,400 fluent English-speaking workers, evenly split by gender (male and female) and region (United States and India). This design enabled us to capture variation in how cultural norms and gender dynamics shape responses to incentives. Before participating, participants were informed about time requirements and payment structure, closely mimicking real-world job selection and engagement decisions.

We selected a task requiring real cognitive effort, transcribing authentic handwritten Latin texts, in 3 minutes ensuring measurable performance, perceived meaning, and neutrality across gender and cultures. The task was paid by the number of correct words transcribed in each round, and participants could quit at any point, allowing us to measure both effort (how many words they typed) and endurance (for how many rounds they kept going). Treatments included a control (piece-rate), a tournament bonus for top performers within the groups of five, and randomised exposure to positive or critical feedback messages.

Participants were randomly assigned to one of four groups:

- **Piece-rate pay (control):** Paid per word transcribed
- **Tournament-based pay:** Piece-rate pay + the top performer gets an additional bonus
- **Positive feedback:** Piece-rate pay + encouraging messages during the task
- **Negative feedback:** Piece-rate pay + criticising messages during the task

These design features enabled us to rigorously compare how financial incentives and social cues affect not only productivity but also workers' willingness to continue.

Findings

Tournament incentives discourage endurance

Contrary to expectations, tournament pay reduced endurance and overall productivity. Many workers quit early when they failed to win bonuses. Even though top performers worked harder, the loss of effort among non-winners outweighed the gains, resulting in lower total output.

⁴ (Cortina et al., 2001; Porath & Erez, 2007)

Negative feedback harms performance

Participants exposed to critical messages ("Try harder!" / "Is this the best you can do?") showed reduced performance and were more likely to report feeling disrespected. This aligns with research showing that incivility reduces cognitive functioning and workplace satisfaction.

Positive feedback had no measurable impact

While positive feedback may feel good, it did not lead to improved performance or endurance in this experiment. Workers did not appear more motivated by positively framed encouragement alone.

No evidence of gender or location-based differences

Treatment effects were not driven by gender (male vs. female) or region (USA vs. India), suggesting that the demotivating effects of tournaments and negative feedback are universal rather than culturally specific.

Our study highlights the unintended risks of widely used motivational tools. We find that tournament-based bonuses and negative feedback may reduce performance and increase dropout. These insights are especially relevant for employers, public work programs, and digital labor platforms seeking to maintain productivity while supporting worker inclusion. By examining effort and endurance, we provide practical guidance on designing incentives that motivate without discouraging participation.

Policy recommendations

Based on the existing evidence, including the results from this study, several actionable implications for employers and managers emerge:

1. Pay attention to potential discouragement effects

Competitive systems that rank workers can discourage and demotivate non-winners. It can lead to short-term gains but losses in the long run.

2. Avoid negative feedback

Giving feedback to workers in a rude manner can adversely affect their performance and reduce their well-being at work and satisfaction levels.

3. Value and respect workers' efforts

Workers are more likely to persist when they feel their work is valued and purposeful. Feedback should reinforce the importance of the task, value the worker's efforts and not attack the individual.

4. Pilot incentive structures

Behavioural pilots allow managers and organisational leaders to jointly assess with researchers how incentive structures affect workers before applying them broadly for all workers or across different departments and locations. In many settings, piloting new incentives before scaling them seems imperative.

Conclusion

Our study indicates that competitive incentives and negative feedback can undermine worker motivation and performance. These approaches may inadvertently exclude less confident or disadvantaged individuals, counteracting the goals of inclusivity and sustained engagement. We contribute to existing research by highlighting the unintended risks of widely used motivational tools. We find that tournament-based bonuses and negative feedback may reduce performance and increase dropout. These insights are especially relevant for employers, public work programs, and digital labour platforms seeking to maintain productivity while supporting worker inclusion. By examining effort and endurance, we provide practical guidance on designing incentives that motivate without discouraging participation.

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Want to read more about the study?

Asri, A., Asri, V., Bjorvatn, K., Hofman, P. & Villager, E. (2025). Motivating Performance and Endurance: The Role of Non-Monetary and Monetary Incentives. Working Paper.

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