



Pro-social preferences and self-selection into jobs: Evidence from South African nurses



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ARTICLE INFO

Article history:

Received 19 December 2013

Received in revised form 3 September 2014

Accepted 7 September 2014

Available online 16 September 2014

JEL classification:

C99

D64

J44

J61

Keywords:

Public services

Pro-social motives

Self-selection

Rural areas

Nurses

South Africa

ABSTRACT

Although a growing body of economic work has looked at the role of pro-social motives to explain self-selection into public or not-for-profit sector jobs, in particular in the delivery of social services, no attention has been given to the role of pro-social preferences in the decision to take up posts in rural and isolated areas. Yet there are reasons to believe that such choices involve a degree of self-sacrifice, in particular in developing countries where rural regions typically combine geographic hostile environment, high levels of poverty, low educational opportunities, limited access to basic services and worse career opportunities. On the other hand, as shortage of qualified staff is higher in rural areas, the returns on the presence of a health worker, and the benefits to the populations, are likely to be higher. Using data from a longitudinal study of nurses in South Africa this paper tests this hypothesis by linking experimental measure of pro-social preferences and revealed preferences outcomes. Three measures of pro-social preferences are constructed based on donations made by study participants in a dictator game played at baseline. Job choices are observed three years later for more than 97% of the initial sample. We show that the more dedicated the nurses – measured by their generosity towards patients in the dictator game – the more likely they are to have chosen a rural job. This result is robust to the inclusion of various demographic controls and to different econometric specifications. This finding contributes to the literature on role of pro-social values as an intrinsic motivation factor in labour supply decisions and it has policy implications for the provision of social services in difficult settings.

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1. Introduction

Moving away from the traditional emphasis on purely selfish motives, a growing body of work has investigated the role played by pro-social preferences on individual decisions (see Meier, 2006 for a review). In relation to labour supply decisions, some attention has been paid to the role of pro-social preferences to explain the self-selection of individuals into the public sector or into not-for-profit organisations, in particular in the delivery of social services (Besley and Ghatak, 2005; Delfgaauw, 2007; Francois and Vlassopoulos, 2008; Kolstad and Lindkvist, 2012; Serra et al., 2010). However, no attention has been given to the role of pro-social preferences in the decision to take up particular positions associated with low material welfare for

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the worker and high benefits for others, benefiting from the worker's presence. Yet if workers care about the benefits they bring to social service beneficiaries (e.g. patients, pupils), they might be willing to trade off some of their own welfare against the additional welfare recipients derive from having access to public services.

Rural jobs of social sector in low- and middle-income countries typically fit this definition. Rural communities typically face challenging social and economic environment often exacerbated by isolation, extreme weather conditions, lack of public transport, difficulty of access to and limited choice of goods and services. Empirical evidence suggests that public goods, such as roads or health facilities, can generate welfare gains in rural areas (Jalan and Ravallion, 2002). Even when infrastructure such as hospitals, roads or schools are available, access to public services remains poor in rural areas as governments typically struggle to recruit and retain qualified staff in such posts (Dussault and Franceschini, 2007; Mulkeen and Chen, 2008). There are many reasons why teachers, nurses or doctors are reluctant to be deployed in rural areas. Living in a rural isolated area compared to an urban one is associated with reductions in objective as well as subjective welfare (Fafchamps and Shilpi, 2009). Working conditions can also be harder in rural areas due to professional isolation, and professional advancement more limited as access to training and networking opportunities is more restricted (Hedges, 2002).

Governments have used various strategies to encourage public servants to take up rural jobs. In health for example, many countries have imposed mandatory services in rural settings in exchange for subsidising nursing or medical studies (Frehywot et al., 2010). More frequently, financial incentives in the form of bonus payments, subsidised housing or hardship allowances have been used (Mulkeen and Chen, 2008; Sempowski, 2004). Recognising instead that there might be some heterogeneity in the opportunity cost of working in rural areas (Hammer and Jack, 2002), some governments have sought to train as professionals individuals who are more likely to accept rural jobs at a later stage, for example by offering scholarships to increase the recruitment of graduates originating from rural areas (Grobler et al., 2009; Ross and Couper, 2004).

This paper tests whether pro-social preferences predict the choice of more altruistic positions. Using data from a panel of South African nurses, we are able to test whether generous behaviours observed in framed dictator games (DG) played at baseline, are associated with the choice of rural jobs, where health workers are able to help more needy people at the expense of their own personal welfare. Using decisions made by nurses played during the baseline survey, we construct three distinct measures of pro-social preferences: a generic measure of altruism (donation to a peer); a measure of pro-poor attitude (donation to a poor person) and a measure of nurses' professional dedication (donation to a patient). We show that a higher dedication to patients is associated with an increased probability of taking up a job in a rural remote area. This result is robust to the inclusion of key socio-demographic variables generally associated with preferences for rural jobs, to different constructions of the dependent variable and dedication measure, and to various econometric specifications. On the other hand, we find weak evidence that a pro-poor attitude in the DG is associated with rural job choices, and no evidence of the effect of generosity towards one's peer. We find these results consistent with the idea that dedication measures social service providers' willingness to sacrifice their well-being to increase the marginal benefits of service beneficiaries.

This paper is organised as follows. Section 2 presents the related literature, and Section 3 describes the South African context and Section 4 the data used in the paper and the empirical strategy used. Section 5 reports the results and Section 6 presents different robustness checks. Section 7 briefly discusses the results and their implications.

2. Related literature

2.1. This paper is related to four different strands of the literature

First, this study contributes to the literature on the role of pro-social motives in the labour market, in particular with regard to sorting of individuals into particular types of jobs. Besley and Ghatak (2005) first proposed that matching employers and employees with similar missions or objectives can reduce the need for extrinsic incentives. Bénabou and Tirole (2006) and Delfgaauw and Dur (2008) further argue that due to the utility they derive from their contribution to the provision of public goods, altruistic or pro-socially motivated individuals are less sensitive to extrinsic incentives than self-interested ones, and hence self-select into less lucrative but pro-socially oriented public sector jobs. More closely related to the argument made in this paper, Delfgaauw (2007) shows that "dedicated" doctors¹ tend to self-select into the jobs (public sector ones) for which the marginal benefit they provide to patients is greater. In their model, this conclusion derives from the hypothesis that public sector patients are poorer than private sector ones, so that the utility of seeing a doctor for free in the public sector is greater than seeing the same doctor in the private sector. In this study, we add to this literature by proposing that pro-social motives can act as a sorting mechanism in the choice of jobs located in challenging areas characterised by poor amenities, if the pro-social preferences of service providers is specifically targeted at service beneficiaries – that is if they care about the marginal benefits their action will provide to service recipient. We argue that in a context where there is a lack of public service providers in rural areas, the marginal benefit derived by rural populations from the presence of a provider is greater than that of urban populations. Therefore "dedicated" workers are more likely to choose rural posts.

¹ Defined as those doctors who have in their utility function a patient's marginal benefit derived from the care they provide.

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