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Why employees accept lower pay at mission-oriented companies

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Abstract

Today's companies are likely to tout how their work benefits human welfare or "makes the world a better place." Recent research suggests that this may come with a potential financial drawback for workers, as it can inhibit them from negotiating for higher pay. Over five studies, job candidates consistently reported that they worried asking for higher pay from these companies would be seen as greedy or inappropriate. This suggests they are aware of a common bias, known as motivation purity bias, where managers believe employees interested in material rewards of work (such as pay) are less motivated than those motivated by intrinsic rewards, such as the nature of the work. In reality, research has shown that extrinsic and intrinsic motivations operate jointly to predict high performance. Job candidates should invest in building their negotiation skills so they are less thrown off when companies use social impact framing. And organizations should train managers to be aware of the motivation purity bias.

Keywords: social impact, norms, motivation, negotiation, compensation, sustainability

In an amusing episode of the HBO sitcom Silicon Valley, one awkward startup founder after the other pitches their company by proclaiming that it "makes the world a better place." The satirical comedy highlights how common it has become for companies to tout how their work benefits human welfare.

This trend — which academics call social impact framing — appears to be on the rise. We see it across job postings, company websites, and consumer advertisements, with for-profits and non-profits alike looking to hire "passionate" and "mission-oriented" workers seeking to "make an impact."

Such emphasis on social impact isn't without merit. For one, it can reflect organizations' earnest desires to make a positive difference. It can also motivate employees by instilling a greater sense of self-worth and meaningfulness.

That said, in our recent research published in Organization Science, we uncover that organizations' use of social impact framing can come with a potential financial drawback for workers, as it can inhibit them from negotiating for higher pay.

Perceived Norm Violation

We explored this effect over five experimental studies. Consistently, job candidates in the social impact framing condition reported that asking for higher pay would likely be viewed as greedy and inappropriate by the hiring organization. As a result, they refrained from negotiating.

In our first study, we recruited 392 participants from an online research platform to examine workers' attitudes in response to different types of organizational messaging. Approximately half of the participants read about a company that emphasizes social impact, while the others read a more generic company description. We asked participants to write open-ended responses about whether or not they would negotiate a job offer to work for the company, and why. We found that those who received the company descriptions that included social impact framing condition were 32% less likely to negotiate. The most common reason for this reticence was participants' belief that negotiating would be seen as selfish and counter-normative, and put them at risk of being passed up for the job.

Our second study involved 438 undergraduate students responding to an on-campus job opportunity in which they would be recruiting fellow students to work for a startup in the educational industry. The students watched an introductory video where the purported company founder and CEO — played by a trained actor — described his hiring organization. Approximately half of participants watched a video in which the founder emphasized social impact, while the other half watched a video in which the founder described a more generic organization focused on high-quality work and success. After viewing the video, participants were given the opportunity to ask for a higher wage for the job versus accept the initially offered wage. Consistent with our first study, students in the social impact condition were 43% less likely to negotiate. Again, this effect was driven by the perception that showing interest in higher pay would violate the organization's norms for employee motivation.

We replicated these results in three other studies. We found that the effects held true in a workplace simulation and across a range of industries, including education, health care, manufacturing, and finance. We also found that social impact framing largely affects job candidate requests for monetary job rewards, such as salary and bonuses. It does not seem to deter them from asking for non-monetary rewards like vacation time and health care benefits.

Assumptions About Money and Doing Good

What explains the effects on monetary job rewards?

The answer lies in widespread and longstanding beliefs that money taints love of the work itself and attempts to do good.

Managers, for instance, have been shown to hold a "motivation purity bias," where they believe that employees interested in the material rewards of work (extrinsic rewards) are less motivated by the nature of the job itself (intrinsic rewards), and are thus less worthy of being hired.

This belief is based on a false premise. Research has shown that extrinsic and intrinsic motivations operate jointly to predict high work performance. Furthermore, more of one type of motivation doesn't mean less of the other.

Nonetheless, in our research, job candidates seem to act as if they are aware of this managerial bias against workers' interests in material rewards. Consequently, in social impact contexts — where workers are especially expected to be driven by loftier motivations such as a sense of higher purpose — job candidates self-censor on any indications that they might also care about the money.

Takeaways for Job Candidates and Hiring Managers

From a Marxist perspective, social impact framing might be viewed as yet another cultural trend that inadvertently operates in favor of the owners of capital and at the expense of workers. Yet, given that social impact framing is often rooted in organizations' genuine efforts to contribute to society and can benefit employees as well, it would be overly simplistic to suggest that organizations stop communicating their emphasis on the greater good. We thus offer several suggestions to help minimize the financial downside for workers of exposure to such messaging.

From the perspective of workers, job candidates can invest in building their negotiation skills, so that they can avoid being easily thrown off in their approach when organizations use social impact framing. They can also investigate how organizations that claim to care about human welfare treat their own employees. It would be ironic if a company that emphasizes social impact neglects its own workers' well-being, financial or otherwise.

Organizations might also consider training managers about their biases against employee extrinsic motivation which, as described above, can be unfounded. Indeed, the desire to provide for one's family, for instance, has been found to be a robust predictor of work performance.

By romanticizing intrinsic motivation and reflexively dismissing job candidates who express any interest in extrinsic job rewards, organizations might be turning away perfectly good candidates who are also passionate about the work and might well have been high performers. Not least, organizations that strive to take an ethical approach to business can avoid deploying social impact framing in a Machiavellian manner, as a tool to intentionally suppress pay.

About the authors:

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