

Handbook on the Economics of Reciprocity and Social Enterprise

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27. Prizes and awards

Bruno S. Frey and Susanne Neckermann

PRIZES AND AWARDS EXIST EVERYWHERE

Orders, medals, decorations, titles and other honours can be found everywhere in society. Prizes and awards exist in monarchies as well as in republics.¹ Even in the United States, a country that separated from the British monarchy and explicitly chose the republic as a form of governance, the president and Congress bestow medals such as the Congressional Gold Medal created in 1776, the Presidential Medal of Freedom created in 1945, or the Presidential Citizens Medal, created in 1969. In the military sector, purple hearts and bronze and silver stars are handed out quite liberally, and at an increasing rate (Cowen 2000: 93). In communist countries, such as the former Soviet Union or the German Democratic Republic, a flood of orders, medals and titles (such as ‘Hero of the Soviet Union’ or ‘Hero of Socialist Labour’) was distributed. This flood of awards is also typical for dictatorships.

In the arts, culture, sports and the media. Prominent examples are the Academy Awards (Oscars), the Emmy award for outstanding achievement in television in the United States, the Grammy award for artistic significance in the field of recording, or the Booker Prize and the Pulitzer Prize in literature. Arts institutions, such as museums, bestow titles, such as benefactor or patron, upon their supporters. In chess, there are International Masters (IM) and Great Masters (GM). Athletes get the honour of being ‘Sports Personality of the Year’, and are admitted into one of the many Halls of Fame. Religious organizations such as the Catholic Church award the titles Canon or Monsignore, and beatify and canonize distinguished persons.

Academia has an elaborate and extensive system of awards. Universities hand out the titles honorary doctor and senator, while professional associations award an enormous number of medals, the most important one probably being the Fields Medal in mathematics. And then, of course, there are the Nobel Prizes. Many prestigious fellowships exist in academies of science (e.g. Fellow of the Royal Society FRS, founded in 1660; Fellow of the American Academy of Arts and Sciences, founded in 1780; Fellow of the Royal Society of Edinburgh FRSE, founded in 1783; or Fellow of the Academy of Social Sciences in Australia FASSA). Moreover, there is a very complicated system of titles (not always connected to functions), such as that of lecturer, reader, assistant professor, associate professor with or without tenure, full professor, named professor, university professor, distinguished professor etc. And then there is the flood of best paper awards handed out at conferences and by journals (Coupé 2003).

Somewhat surprisingly, titles and awards are also very important in the corporate sector. Managers like to be vice-president, senior vice-president, or first senior vice-president. Firms also commend their own employees for being ‘Salesman of the Month’ or ‘Employee of the Week’; there seems no limit to the ingenuity of inventing new awards. The media support this activity by regularly choosing a ‘Manager of the

Month', 'Manager of the Year' or even 'Manager of the Century'. Organizations, such as the World Economic Forum, appoint people to the position of 'Global Leader of Tomorrow' (1,200 people), and 'Young Global Leaders' (1,111 people below the age of 40).

THE LITERATURE ON AWARDS

There is a large literature on specific awards, in particular on orders, decorations and medals. It is historically oriented and mainly devoted to presenting legal rules and regulations.² Particular awards have been analysed in the context of arts and culture, such as the Academy Awards (Oscars) in film, the Booker Prize in literature, and the Eurovision Song Contest (Ginsburgh and van Ours 2003; Ginsburgh 2003), or the International Queen Elisabeth Prize in piano competition (Glejser and Heyndels 2001).

There is only a small literature by economists.³ Forerunners are Hansen and Weisbrod (1972), Besley (2005), Frey (2005), and Brennan and Pettit (2004) more generally on esteem. A few isolated works discuss awards as incentives, e.g. Gavrila et al (2005), Neckermann and Kosfeld (2011). For the case of corporations, Frey and Neckermann (2008) study the channels via which awards motivate and investigate the differences to monetary rewards. Malmendier and Tate (2005) as well as Neckermann, Cueni and Frey (2010) find that awards significantly affect the subsequent behaviour of winners. Markham et al (2002), Asch (1990), and Neckermann and Frey (2007) and Frey and Neckermann (2008) show that award systems have a systematic incentive effect on performance in the corporate sector, and that managers rightly take awards seriously as incentive instruments.

CHARACTERISTICS OF PRIZES AND AWARDS

The typical features of prizes and awards are best understood when they are contrasted to monetary compensation:

- The material costs of awards, consisting of a certificate or a small trophy, are typically low for the donors, but the value to the recipients may be very high. To some extent this also applies to prizes where, despite their name, the monetary value is often low.
- Accepting an award establishes a special relationship. The recipient owes some measure of loyalty to the donor. This is not the case when a particular task is carried out in exchange for monetary compensation.
- Prizes and awards tend to be handed out for a vaguely defined achievement. In these cases, they are more adequate incentive instruments than monetary payments.
- Prizes and awards are less likely to crowd out the intrinsic motivation of their recipients than monetary compensation because when they are conferred the donor commends the recipients for their performance.

- Prizes and awards are not taxed, while monetary income is. Due to taxes falling on the giver and the recipient, there typically is a considerable wedge between the sum of money the donor has to spend and the net sum the recipient receives.

These are substantial differences making it worthwhile to analyse awards as a separate phenomenon from monetary compensation.

THE IMPORTANCE OF HONOURS

Data limitations make it difficult to empirically measure the importance of prizes and awards in modern societies. The best source providing information on the awards received by the most important personalities is the *International Who's Who (IWW)*, covering individuals from 212 countries (Neal 2006) who were asked to indicate the prizes and awards they received. This data source provides information on the number and kinds of awards each person received as well as on person-specific characteristics such as nationality, job, age, and international mobility. A sub-sample of 82 countries was selected according to the availability of the basic country specific variables necessary for the statistical analysis. For these 82 countries a random sample of 50 people per country was chosen. We collected the following information with respect to awards when available: source of the award (country of origin, foreign country, or international); award giving institution (state, private organizations, non-profit organizations, university, media) and category in which the prize was awarded (social welfare, military, science, culture/art, sport, media, business, religion). This information allows us to construct the number of awards received per person.

On the basis of this evidence, the following five results can be put forward.

1. Prizes and awards are important not only in monarchies: in the past, awards have mainly consisted of state orders, honours and decorations and have been closely connected to monarchies. In Spain, for example, the Golden Fleece (founded in 1430) is the most important and best-known Order, but there is also the Order of Carlos III, of Santiago, of Isabella the Catholic and the Laureate Cross of Saint Ferdinand.

Among the countries with the highest number of awards, seven are republics (the Anglo-Saxon countries Canada, Australia – we count them as republics – and New Zealand; and the European countries Poland, Hungary, Switzerland and Finland) and only two are monarchies (the United Kingdom and Spain). Americans living in the United States receive a considerable number of awards, more than French and Italian citizens. The data indicate that today awards are no longer linked to monarchies. Indeed, staunch republics such as France, the United States and Switzerland are at the top of the list of the 82 countries in our sample.

2. Awards are not only a military matter: judging from pictures appearing in the press of soldiers and officers having their chests covered with orders, decorations and medals, it may be concluded that most awards are received by the military. However, our data suggest that awards are not mainly a military affair.

Of the 82 countries in the sample, 49 countries contain individuals from the

military sector in their sample of individuals drawn from the *IWW*. Averaged over these 49 countries, these people receive 11 per cent of the total number of awards. If one includes the remaining countries in the calculation, assuming that these exhibit zero awards per person in the military sector, this figure falls to 7 per cent. But in a few countries awards do focus on the military. In Uganda, Paraguay, and Venezuela, for example, one third to almost one half of all awards are given to people in the army. However, these countries are the exception rather than the rule. When considering domestic government awards only, the share of awards going to persons in the military sector is larger (15 per cent or 9 per cent depending on whether countries without military personnel in the sample are included in the calculation). However, this share is still far from being dominant.

3. There are many awards in academia: academia has an elaborate and extensive system of professional associations awarding a great number of medals. Nobel Prizes are certainly the most visible. There are many prestigious fellowships in academies of science. Moreover, there is a complicated system of titles (not always connected to functions), such as that of lecturer, reader, assistant professor, associate professor with or without tenure, full professor, named professor, university professor, distinguished professor etc. Honorary doctorates are another form of highly valued awards in academia.

Almost one quarter of all awards are given to individuals in academia. Switzerland and Belgium lead with a share of two thirds of all awards going to individuals in academia. In Turkey the academic sector is also a major recipient. There are five additional countries in which half or more of the awards go into this sector (Netherlands, Germany, Australia, and Nigeria).

The 10 top countries according to the average number of awards received include the United States, and several other countries whose university system count among the leading ones: Belgium, Switzerland, Japan, France and Australia. But some other countries give much weight to bestowing academics with awards though their universities are not considered to be among the best ones (Venezuela, Lithuania, Poland and Argentina).

4. There are many prizes and awards in the business sector: prizes and awards, including titles, are very important in business. Consider, for example, Federal Express, which confers a host of honours to individuals as well as to teams. These include the 'Circle of Excellence Award' that is presented monthly to the best-performing FedEx station, and the 'Golden Falcon' that is awarded to employees who go beyond the call of duty to serve their customers. Honourees of the latter award receive a golden uniform pin, a congratulatory phone call from a senior executive and 10 shares of stock.

Across all 82 countries in our sample, the 11 countries with the highest number of business awards per individual comprise a broad variety of countries in terms of GDP per capita. The top 10 include some wealthy countries such as Canada, Singapore, the United States, Saudi Arabia, Sweden or Switzerland, but also some developing countries such as the Philippines and Turkey. In some countries such as Canada, Venezuela, Israel or Luxemburg business-people included in *IWW* on average indicate to have received quite a number of awards (between four and five). China's business people listed in

WWW receive a substantial number of awards, more than even the respective US business people.

Awards going to individuals active in business are of little importance in many countries, such as Spain or Italy, but are central in some of the economically most successful countries of the world, such as Singapore, the United States, China or Israel with between 9 and 15 per cent of all awards. This picture is likely to change in the future. An increasing number of countries may well adopt the practice of honouring business people with awards, thus imitating the economically particularly successful countries.

PRIZES AND AWARDS PLAY AN IMPORTANT ROLE

The statistics presented allow some interesting and unexpected insights. Awards are widely used in modern society and are not solely a remnant of monarchy; they are predominantly used in the civilian sector and are not mainly a military affair; and they are important in academia as well as in business. Prizes and awards present a multitude of incentive instruments such as feedback, information and social recognition.

Honours are a relevant phenomenon deserving the attention of psychologists and economists, as well as other disciplines. Prizes and awards cannot be equated with monetary compensation. The academic study of awards is only at its beginning, especially in economics. However, it has already become clear that it deals with an important phenomenon. It allows us to see motivation in a broader context than has been considered so far, ranging from the extremes of extrinsic monetary compensation to intrinsic motivation, with honours as extrinsic, but non-material incentives inbetween.

NOTES

1. An incomplete but extensive list of types of official awards is given in the article 'List of Prizes, Medals, and Awards' in wikipedia (<http://en.wikipedia.org>, last accessed August 2007). See also Werlich (1974) and the House of Commons (2004).
2. Examples are Risk (1972) or Galloway (2002).
3. There is a considerable literature on awards in sociology, e.g. Bourdieu (1979) or Braudy (1986). This literature address awards and distinctions in general, but does not analyse particular types of awards but fails to provide a theoretical analysis in a comparative perspective, and does not offer any empirically testable propositions.

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