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**Vox is one year old!** We have launched some **new features** to celebrate:[Events](#) [Audio](#) [Archive](#) [Weekly Email](#)**Knight fever: People care for awards** [Create account](#) | [Login](#)Bruno S. Frey Susanne Neckermann  
19 July 2008

*Social recognition is a powerful force, and awards ranging from state orders to tournament prizes motivate people in fields ranging from the arts to military service. Here is why economists should take note and study such incentives.*

If an alien were to look at the social life of people on earth, it would be stunned by the enormous number of awards in the form of orders, decorations, prizes, and titles. It would be hard pressed to find any area of society in which awards are not used. Awards are equally ubiquitous in monarchies as they are in staunch republics. In the French Republic, for instance, the *légion d'honneur* plays an important role, and 3,000 such awards are conferred annually. In the United States, the President and Congress bestow highly esteemed medals both for civilians (e.g. the Presidential Medal of Freedom) and for military personnel (e.g. the Congressional Medal of Honor). It is well known that a flood of medals and titles (such as "Hero of the Soviet Union") were handed out in communist countries, such as the Soviet Union or the German Democratic Republic.

Awards are also of central importance in the arts, culture, and media. A few prominent examples are the Academy Awards (Oscars), the prizes handed out by the film festivals at Cannes, Venice, or Berlin, the Grammy award for artistic significance in the field of recording, and the Booker or the Pulitzer Prize in literature. In sports, athletes receive the honour of being chosen "Sports Personality of the Year" and of being admitted into one of the many Halls of Fame.

Despite the importance of awards in society, economists have largely disregarded them. While some literatures in economics, such as the literatures on signalling, tournaments, and incentives in principal-agent relationships, or the more recent works in psychological economics on

esteem, identity, status, and reputation provide insights into isolated aspects of awards, they are hardly able to capture and reveal the many different aspects involved in the functioning of awards.

## Differences between awards and monetary compensation

Standard economics concentrates on monetary compensation because it is a fungible and efficient incentive mechanism (Prendergast, 1999). Recently, intrinsic motivation has also been taken into account (Bénabou and Tirole, 2006 and Frey, 1997). Awards are intermediate; they are extrinsic but predominantly non-material. There are important differences between awards and monetary compensation making it worthwhile to analyze them separately.

- The material costs of awards may be very low, or even nil, for the donor, but the value to the recipient may be very high.
- Awards are always made public. In the case of companies, award recipients are announced on the intranet, displayed on bulletin boards, or celebrated in a specially arranged ceremony. In contrast, the size of monetary compensations, i.e. salaries, tends to be hidden.
- Accepting an award establishes a special relationship, in which the recipient owes (some measure of) loyalty to the donor. Monetary compensation in contrast typically does not induce loyalty.
- Due to their vague nature and global, ex-post performance evaluations, awards are better incentive instruments than monetary payments that typically have to be clearly specified contractually ex ante, when the recipients' performance can only vaguely be determined ex ante and/or measured ex post.
- Awards are not taxed, while monetary income is.

These considerations make clear that there are indeed many major differences between awards and monetary compensation.

## An international comparison

To study the prevalence of awards across different countries and sectors, we constructed a unique data set using the *International Who's Who* (IWW). For a random sample of 50 individuals in 82 countries each, the available information on the individuals' awards was coded.

Table 1 lists the average total number of awards as well as the average

number of business awards (e.g. "Manager of the Year") per individual and country. In addition to the average of all 82 countries, the five countries with the highest average, and the five countries with the lowest average, are listed. Further, information on all three categories is provided for the United States and Canada, and for the large European countries United Kingdom, France, Germany, Spain and Italy.

<b>Total awards</b>		<b>Business awards</b>	
Mean	2.66	Mean	0.06
<b>Top 5 countries in each category</b>			
Canada	6.82	Canada	0.52
UK	6.78	Singapore	0.46
Poland	61.6	USA	0.34
Australia	5.66	Saudi Arabia	0.27
Senegal	5.30	Australia	0.26
<b>Lowest 5 countries in each category</b>			
Honduras	0.83	Trinidad & Tobago	0.00
Bangladesh	0.78	Uganda	0.00
Uganda	0.76	Ukraine	0.00
Tanzania	0.62	Uruguay	0.00
El Salvador	0.30	Venezuela	0.00
<b>Information on 7 additional countries</b>			
USA	3.80		0.34
Canada	6.82		0.52
UK	6.78		0.04
France	3.60		0.04
Germany	2.46		0.06
Spain	4.20		0.06

Italy	1.96	0.04
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Source: Authors' calculations using data constructed from the *International Who's Who 2007*

The individuals in the sample each list between two and three awards on average. The largest numbers of awards are handed out in three Anglo-Saxon countries (Canada, the UK, and Australia) as well as in Poland and Senegal, where the average is between five and seven awards per person. The lowest average numbers of awards per person are reported in some small South American, African and Asian countries (such as El Salvador and Tanzania) with less than one award per person.

At 3.8, the average number of awards per individual in the United States is considerably higher than the average of 2.7 over all 82 countries. Americans thus seem to enjoy bestowing and receiving awards. Awards enjoy a similar importance in France and Spain (3.6 and 4.2, respectively). This is surpassed by Canada and the United Kingdom (6.8). As can be inferred from the high number of awards handed out in such staunch republics as the United States and France, awards are not only a matter of tradition or monarchies. Rather, the data indicate that awards are of importance and general relevance today in many countries of the world.

*Business* awards have, of course, a quite different character from national governmental awards. They refer to awards handed out for private sector activities and comprise honours such as "Most Powerful Woman", "Manager of the Year", or "Arabian Business Achievement Award". On average, only few persons in the *International Who's Who* elite indicate such awards (the average number of business awards per person is 0.06 over all countries). While this number may sound small, it is quite sizeable considering the large number of politicians, artists and sports personalities in the *International Who's Who* who are typically not eligible for business awards. The largest number of business awards goes, on average, to persons in three Anglo-Saxon countries (Canada, the United States and Australia), to individuals in Singapore, and in Saudi Arabia. In a considerable number of countries (33 of the 82 countries in the sample), no business awards are reported.

When one categorises awards according to the type of activity they reward, as was done above for business, it becomes obvious that awards are important and relevant in many different areas and not limited to certain

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spheres of society. The largest share of awards are bestowed to persons for activities that can be broadly summarised as *social welfare* (37%), which comprises awards such as general state honours and peace prizes. Individuals working in *academia* receive the second highest share of awards (32%). A significant, but clearly lower, share of awards (19%) are bestowed in the *cultural sector*, which includes film, television and writing. This sector is particularly skilful in using the media to promote the importance of their awards, as reflected in the great attention garnered by the award ceremonies of the Oscars, the Grammys, and the Pulitzer Prizes.

## Conclusions

Awards are a relevant phenomenon deserving the attention of economists. Awards lie between intrinsic motivation and extrinsic monetary rewards, the traditional focus of economic research on incentives. Awards are clearly distinct from monetary compensation, and the data summarised here illustrates their importance across many different countries and sectors.

## References

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