
Mission-Oriented Firms, Motivated Workers, and Screening

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Abstract

We study non-linear optimal contracts offered by two firms competing for the exclusive services of workers, who are privately informed about their ability and motivation. Firms differ in their technology and in their mission, and motivated workers are keen to be hired by the mission-oriented firm. In equilibrium, the mission-oriented firm attracts fewer high-ability workers with respect to the competitor. We also find that workers exert more effort at the mission-oriented firm than at the standard one despite an upward distortion in effort levels being possible for the standard firm. Finally, a compensating wage differential emerges in that the mission-oriented firm, given the effort, offers lower wages than the standard firm.

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