

Abstract 'Demotivating workers: Retrenchment of pension rights and negative reciprocity'

This paper identifies the causal impact of a cut in pension rights on the job motivation of negatively reciprocal workers. Reciprocity refers to responding to a positive action with another positive action, and responding to a negative action with another negative one. The paper complements the evidence from lab experiments that highlight the behavioral relevance of reciprocity in stylized labor markets and that show that workers do not always maximize utility. We use unique matched survey and administrative data that include individual measures of reciprocity. Our data set covers male employees in the public sector in the Netherlands who faced a major unexpected pension reform in 2006 that was initiated by the government. We compare job motivation of employees who were born in 1950, and therefore face a substantial retrenchment of their pension rights to job motivation of slightly older employees who remain entitled to more generous pension benefits. We find that job motivation is lower among the treated individuals that are highly negative reciprocal. The negative effect on job motivation is larger for workers born very close after the cut off date of January 1, 1950, who arguably perceive the policy change as being more unfair. Moreover, job motivation is lower among the treated negatively reciprocal workers who can directly hold their employer responsible for the drop in their pension rights, i.e. those who work for the national government.