

Crowding Out of Intrinsic Motivation by Wage: The Case of Long-term Care Workers in  
Japan

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Abstract

This study examines whether crowding out of intrinsic motivation by monetary compensation occurs in long-term care services in Japan. Empirical results show that crowding out appears only in non-profit organizations, but not in other organizations such as profit maximizing companies and public organizations. To examine causal effects in more detail, we perform instrumental variable probit estimation, using job ranks and qualifications as instrumental variables. The results are consistent with normal probit estimation. We find that in non-profit organizations, it is necessary to ensure that external motivation does not crowd out employees' intrinsic motivation, or that the relationships between principals and agents do not crowd out employees' intrinsic motivation.

Keywords: Crowding out of intrinsic motivation, Job satisfaction, Non-profit organization

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