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Worker Motivations, Job Satisfaction, and Loyalty in Public and Nonprofit Social Services

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Exploiting a unique data set created in 1999 on a sample of 228 public, nonprofit, and for-profit organizations operating in the social service sector, and on 2,066 workers, the article tests whether workers' satisfaction and loyalty to the organization is influenced by workers' motivations and by the incentive mixes offered by different organizational forms. As for satisfaction, intrinsic and relational attitudes toward work exert the greatest influence, whereas workers motivated by economic interests are less satisfied. As for loyalty to the organization, satisfaction with economic and process-related aspects of the job appear to have the greatest impact. The behavior of nonprofit organizations, which form the largest part of the sample, is consistent with these results. The specific strength of their incentive mix is represented by worker involvement and other process-related aspects of the job. By contrast, workers in public bodies are the least satisfied, higher monetary incentives notwithstanding.

Keywords: *social services; nonprofit organization; incentive mix; worker satisfaction; worker loyalty*

The Italian social services sector is characterized by a predominance of nonprofit organizations. Roughly one fourth of the total number of organizations is public, whereas for-profit firms constitute only a tiny fraction. Nonprofit organizations, which represent the rest of the sector, can be sorted into various typologies. Social cooperatives¹ account for roughly 35% of the sector, whereas religious and nonreligious nonprofits together amount to the same proportion.

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The latter two typologies constitute mainly foundations and associations.² All the organizational forms grew in number and size during the 1990s, with the result that the supply of social services is highly differentiated.

Nonprofits are complex and distinctive structures of extrinsic and intrinsic incentives that serve to attract workers who are not predominantly driven by monetary remuneration (Bacchiega & Borzaga, 2001, 2003). An *incentive structure* can be defined as a mix of constraints and rewards offered to the relevant stakeholders of the organization. Constraints can be established by law and differ according to the legal form adopted, or they can be voluntarily determined by the organization itself. Rewards may be of different kinds: economic and noneconomic, monetary and nonmonetary (Borzaga, 2003). On this view, different incentive mixes can be used to induce the groups of agents involved to behave consistently with the organization's goals, and to reduce the risk arising from information asymmetry and opportunistic behavior, which is curbed by establishing implicit contracts based on enterprise culture (Fehr & Schmidt, 2001).

The importance of these aspects has been emphasized by several authors, and their presence has been tested by empirical research on workers in non-profit organizations. Some have stressed the importance of workers' attitudes and motivations (Mirvis, 1992), others have investigated the presence and importance of nonmonetary rewards (Almond & Kendall, 2000), extrinsic, such as greater opportunities for training and greater worker flexibility, and intrinsic, such as involvement in the organization's activity and management, the sociality of work, and so on. Moreover, several authors have analyzed the perception of greater fairness in wage structures and, more generally, in the incentives structures of nonprofits (Leete, 2000; Levine, 1991).

Research has generally confirmed that worker satisfaction in nonprofits is high (often higher than in other organizational forms) even in the presence of lower wage levels (Benz, 2005; Borzaga & Depedri, 2005; Mirvis, 1992). The same results have been obtained by Light (2002) in the United States, where workers in nonprofit organizations display stronger motivations and higher satisfaction linked to the meaningfulness of their work, despite lower pay, shortages of staff and resources, and excessive workloads. Moreover, workers seem more willing to "donate work" and are more loyal to the organization than are workers in other organizations (Almond & Kendall, 2000).³ In a recent article, Benz (2005) tested the determinants of job satisfaction using two large data sets for the whole U.S. and U.K. economies,⁴ comparing nonprofit and for-profit workers. His main finding was that workers in nonprofit organizations are indeed more satisfied with their jobs than their counterparts in for-profit firms. The work by Benz goes some way toward analyzing the determinants of job satisfaction. However, it lacks empirical evidence concerning the motivations of workers.

All these studies usually do no more than emphasize only one or a few of the elements of incentive structures. Few empirical tests have been made on worker motivations other than monetary ones, although they are usually

considered to be important. Hence it is not clear how and to what extent nonmonetary motivations are relevant to determining worker satisfaction, and whether nonprofit organizations show any significant difference with respect to other organizational forms. Overall, internal agency relations, such as labor relations, are considered less important than external agency relations, given the dominance of explanations based on the presence of market failures such as asymmetric information (Borzaga, 2003).

In this article, we only use data on the social service sector. Hence we are not able to perform satisfactory comparisons between for-profit and nonprofit forms, given the extreme rarity of the former in the sector. The main term of comparison for nonprofits is represented by public bodies, which, in Italy, are the second main provider of social services after nonprofits. However, we deepen the analysis of the determinants of satisfaction, which in Benz's work (2005) were restricted to the organizational form. We draw on the theoretical and empirical literature for the main components of workers' motivations and for the incentives structures put in place by organizations. For the first time, nonmonetary motivations are singled out in the data set, with the level of worker satisfaction evidenced for each of them.

The article has three aims. First, it describes monetary and nonmonetary worker motivations and analyzes their impact on satisfaction. It then explores the main features of incentive mixes used by different organizational forms to match motivations and organizational objectives. Finally, it analyzes the ability of incentive mixes to strengthen the relation between workers and organizations in terms of workers' willingness to stay with the organization.

We find that workers in nonprofits are generally more satisfied than workers in other organizational forms, though their level of monetary remuneration is, on average, lower. Differences in incentive mixes across organizational forms are significant. Furthermore, motivations are important in influencing workers' overall satisfaction with their jobs. Finally, satisfied workers are more loyal to their organizations.

The initial hypotheses are set out in Figure 1. Workers' motivations toward work in general induce them to take up a specific kind of activity, for example, being prompted to do so by its social mission. The preferred activity may be found in certain sectors, though the sector is not the only factor explaining workers' choice. In addition, the choice of a specific organization is driven by worker preferences. In their turn, organizations can influence workers because different organizational models may be more or less attractive to the latter. For example, a person may choose a specific organization in which to work because it is democratic and she or he sets high value on democracy. However, the fact that the organization is really democratic may stimulate the person's desire to work for it.

Workers' motivations influence their degree of satisfaction to the extent that workers who are driven, for example, by the desire for self-fulfillment and better on-the-job relations may be more satisfied, given their proactive attitude toward work. In addition, the organization is likely to influence

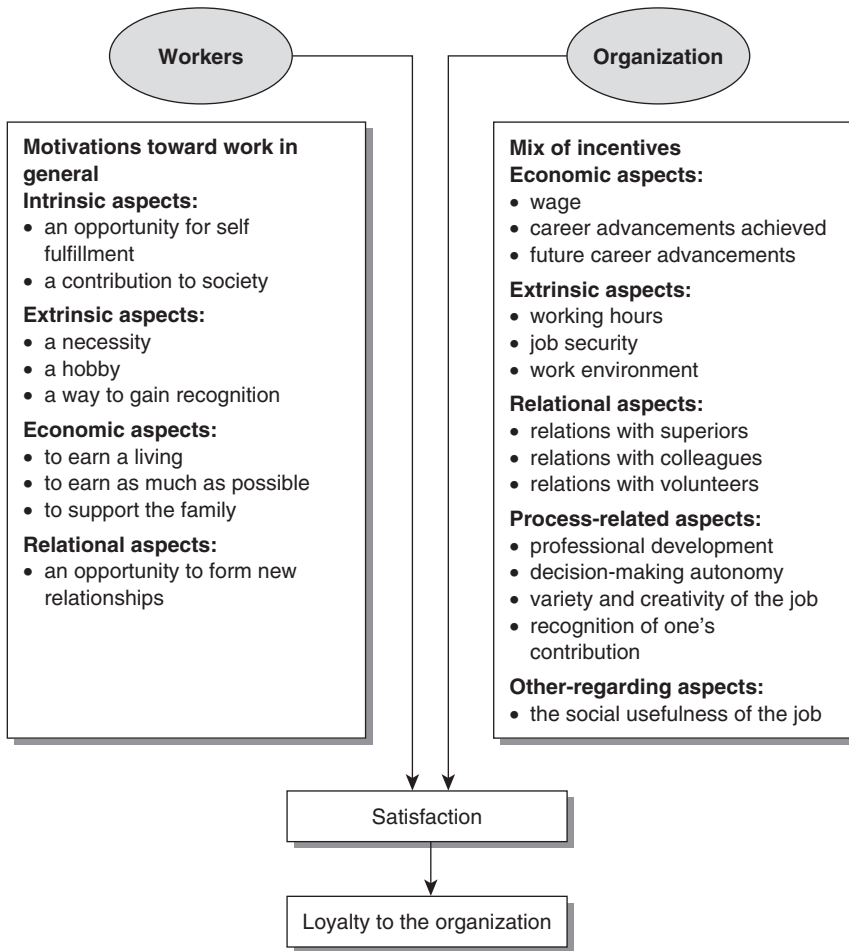


Figure 1. Motivations and Incentives

workers' satisfaction by implementing a suitable incentive structure that matches motivations and organizational objectives. Finally, one of the consequences of greater satisfaction is an increase in worker loyalty, which reduces turnover and enables the faster accumulation of firm-specific human capital and the creation of trust relations within the firm.

The article is organized as follows: The second section introduces the conceptual categories concerning motivations and incentives; the third section introduces the empirical part of the article, describing the data and sampling procedures and highlighting the general features of the organizations concerned; the fourth section examines the main features of workers' attitudes to work and of their choices of organization; the fifth section deals with the

different incentive mixes existing in different organizational forms. The next two sections conduct ordered probit estimations to identify the factors, individual and organizational, that influence workers' satisfaction and loyalty to the organization. The last section concludes.

WORKER PREFERENCES AND INCENTIVE STRUCTURES

Various studies have examined the main components of the incentives structures designed to induce workers to share the enterprise culture and to reduce opportunistic behavior, as well as to increase their effort and productivity. Some psychological studies (Deci, 1975; Deci & Ryan, 1985) have pioneered analysis of how different typologies of incentives motivate workers by separating intrinsic from extrinsic and monetary incentives. Frey (1997) was the first author to introduce the concept of *intrinsic incentives* into the realm of economics. Prendergast (1999) and Benabou and Tirole (2003) have analyzed incentives more systematically, whereas other authors (Deci & Gagné, 2005) worked out a continuum of incentive categories ranging from purely extrinsic to purely intrinsic, taking the concept of *self-determination* as the rationale for the new classification. In recent years, a number of authors have begun to stress the importance of relational goods consumed on the job (Gui, 2000; Gui & Sugden, 2005).

The current study adopts the categories proposed by Ben-Ner and Putterman (1999), who described *individual behavior* as driven by three different types of preferences: self-regarding, other-regarding, and process-regarding.⁵ *Self-regarding preferences* characterize *homo oeconomicus* and his self-seeking behavior. They concern the individual's own consumption and other outcomes. *Other-regarding preferences* exist when the individual also considers the welfare of others and is driven by motivations geared to collective or social aims. *Process-regarding preferences* concern the manner in which the individual in question and others behave, including the way in which they attain outcomes of interest. They may be conceived as values or codes of conduct. Individual preferences and behavior coevolve with organizational processes: Organizations cannot be conceived without individual initiative, actions, participation, compliance, and so on. On the other hand, organizational values mold individual behavior and influence preferences. The closer the correspondence between individual preferences and organizational behavior, the greater the probability of survival and dissemination. Hence organizations, to pursue their objectives, will seek to devise incentive mixes able to satisfy the actors involved along the relevant motivational dimensions.

Different typologies of preferences correspond to different typologies of incentives. *Self-regarding incentives* can be sorted into three categories of incentives serving to increase individual utility and representing a form of remuneration consumed on the job or off the job, regardless of the utility of other workers or the social aim of the work:

1. purely economic incentives consisting of wage and career advancement (past and expected). The monetary dimension is dominant.
2. extrinsic incentives consisting of nonmonetary benefits that increase workers' individual utility (job security, working hours compatible with needs; and the working environment)
3. relational incentives consisting of opportunities for workers to engage in meaningful relations with each other, with the managers, and with the users: These may be considered a part of worker remuneration consumed directly on the job and therefore reduce its disutility.

Process-related incentives concern the organization's ability to create procedures and codes of conduct that involve workers in its activity by recognizing and improving their contributions (decision making autonomy, variety and creativity of the work, professional growth, recognition of workers' contribution). These are routines that can be equated with organizational culture. *Other-regarding incentives* serve to satisfy workers' desire to achieve collective and social aims through their activity (the social usefulness of work). The last two categories are not a form of remuneration because they are not consumption goods (monetary or nonmonetary). However, they can be treated as incentives insofar as organizations that are better able to satisfy the need for self-fulfillment, autonomy, and professional growth will spur their workers' desire to pursue organizational goals.

A stringent methodological question in this context is how worker utility can be measured empirically. The traditional economic view is that utility must be ordinal and inferred from observed behavior, not measured directly. Here, a different approach is adopted, one that uses self-reported satisfaction scores and intentions to stay with the organization as success indicators. This may not be the standard methodology in economics; however, satisfaction measures are increasingly accepted as suitable proxies for utility (Frey & Stutzer, 2002; Oswald, 1997).

THE RESEARCH: STRUCTURE AND MAIN RESULTS

The research whose results are presented in this article was conducted in 1998 on a homogeneous sector in Italy: that of social-welfare and educational services. It involved 228 organizations (for a total of 268 operational units) operating in 15 Italian provinces and with different organizational forms.⁶

Nonprofit organizations were sorted into three typologies: religious nonprofits, other lay (or nonreligious) nonprofits, and social cooperatives. Among nonprofit organizations, religious nonprofits are the oldest and the ones most similar to public bodies, at least in the hierarchical structure, even if wages are lower. Other lay nonprofits are similar to the North American model and center on managerial control and mission-oriented activities. Social cooperatives are the most recent typology. They grew to a remarkable extent during

the 1990s and now assume the form of quasi-workers' cooperatives with a nonprofit distribution constraint.⁷ Social cooperatives make participation one of their founding values. Organizational protocols tend to be flat, and horizontal coordination prevails over top-down decision making by the management. Wage differentials are limited, and pay rates are correlated more to functional differentiation than to hierarchical positions. Other lay nonprofits are characterized by stronger hierarchical intensity than are social cooperatives, with higher salaries paid to managers and a lower degree of worker involvement.

Publicly owned organizations are controlled by administrative authorities and are characterized by greater monetary remuneration for workers and quite rigid hierarchical structures governed by public managers. On the other hand, for-profit enterprises are rare: Indeed, the data set comprises only 17 of them. Hence we are unable to define their organizational characteristics and the incentive mixes used with satisfactory precision. In broad terms, it is possible to state that hierarchical control in for-profit firms is more flexible than in the public sector but tighter than in nonprofits.

Separate questionnaires were also administered to 2,066 paid workers. Table 1 shows the organizational typologies and their workforces.

The questions enabled important and detailed information to be gathered on the characteristics of the organization and the occupational, sociodemographic features of workers and their well-being. Table 2 shows the workers' main characteristics: The strong predominance of female workers is immediately apparent and evidences a kind of protection granted by the social service sector to less employable social groups.⁸ Only in social cooperatives and other lay nonprofits do male workers reach about 30% of the total. Workers are quite young, being usually age 30 to 39 years. Social cooperatives employ the youngest workforce, while the public sector stands at the other extreme with a workforce aged between 30 and 49 years. The predominant educational qualification is a high-school diploma. Social cooperatives and other lay nonprofits employ the best-educated workers, whereas religious nonprofits employ the least-educated ones. Only in other lay nonprofits do graduate workers reach one fourth of the total. Full-time employment contracts are much more common than part-time ones, although social cooperatives and other lay nonprofits show a higher rate of short-term contracts (about 30% and 25%, respectively).

As far as the general degree of satisfaction with the job is concerned (Table 3), workers in the sector as a whole seem to be quite satisfied.⁹ The most satisfied workers are found in religious nonprofits, followed by workers in social cooperatives, for-profits, and the other nonreligious nonprofits. Public-sector employees are generally the least satisfied with their jobs. This result was confirmed by the ANOVA. Considering all five organizational forms (first column), differences in average satisfaction are highly significant, whereas the differences among private organizations (nonprofits plus private firms), and among nonprofit forms (second and third column), are less pronounced but still significant.

Table 1. Organizational Typologies and Their Workers

	<i>Organizations</i>		<i>Workers</i>	
	<i>Number</i>	<i>Percentage</i>	<i>Number</i>	<i>Percentage</i>
Public ownership	54	23.7	616	29.8
For profit	17	7.5	204	9.9
Social cooperatives	74	32.5	588	28.5
Other nonreligious nonprofit	51	22.4	440	21.3
Religious nonprofit	32	14.0	218	10.5
Total	228	100.0	2,066	100.0

Table 2. Workers' Characteristics by Organizational Form (average)

	<i>Public</i>	<i>For</i>	<i>Social</i>	<i>Other</i>	<i>Religious</i>	<i>Percentage</i>
	<i>Ownership</i>	<i>Profit</i>	<i>Cooperatives</i>	<i>Nonreligious</i>	<i>Nonprofit</i>	
Gender						
Male	15.4	12.7	29.3	31.1	20.2	22.9
Female	84.6	87.3	70.7	68.9	79.8	77.1
Age						
Younger than						
age 25	5.2	9.0	8.8	2.1	7.0	6.1
25 to 30	11.5	17.5	27.5	17.4	15.5	18.3
30 to 39	37.4	45.5	39.0	41.3	39.4	39.7
40 to 49	35.2	15.3	17.3	26.9	24.9	25.3
Older than						
age 50	10.7	12.7	7.4	12.3	13.1	10.36
Educational attainment						
Elementary school	4.6	10.8	4.8	4.3	7.3	5.5
Lower intermediate						
diploma	18.7	26.6	21.0	15.7	36.2	21.3
Technical education	30.9	18.7	14.0	10.7	16.1	19.0
High school diploma	33.2	30.5	42.9	44.4	28.9	37.7
University degree						
or higher	12.5	13.3	17.4	24.8	11.5	16.5
Contractual relation						
Full-time	86.6	84.8	70.5	76.4	82.3	79.1
Part-time	13.4	15.2	29.5	23.6	17.7	20.9

As regards loyalty (Table 4), the majority of workers in nonprofits, especially in religious and in other nonreligious nonprofits, express a strong desire to stay with their organizations as long as possible. The percentage is lower in the case of for-profit enterprises and social cooperatives; however, the percentage of workers wanting to remain as long as possible is much lower in public organizations. In the case of social cooperatives, this low

Table 3. Workers' Satisfaction (average)^d

	<i>Public Ownership</i>	<i>For Profit</i>	<i>Social Cooperatives</i>	<i>Other Nonreligious Nonprofit</i>	<i>Religious Nonprofit</i>	<i>Total</i>
The job as a whole	4.99 ^a	5.39 ^c	5.39 ^b	5.25	5.53	5.26

Note: a, b, c. The analysis of variance of the differences between the means across organizational forms (ANOVA) was significant at the 1% level (a), 5% level (b), and 10% level (c), respectively. Indexes in the first column (Public Ownership) are referred to mean differences for all five organizational forms. Indexes in the second column (For Profit) are referred to the private sector (four organizational forms). Indexes in the third column (Social Cooperatives) are referred to the nonprofit sector (three organizational forms).

d. The interviewees chose a value from a scale from 1 (*minimum*) to 7 (*maximum*).

result is partly offset by a high percentage of workers wanting to stay with their organizations for some years.

Finally to be considered are wages. Empirical research has shown that pay is lower in nonprofits than in public organizations producing the same services (Leete, 2000; Levine, 1991), but not always in for-profit enterprises, especially when similar activities are considered. Indeed, it has been reported (Almond & Kendall, 2000) that in particular situations (wages much below the national average), nonprofits seem to "protect" their workers by paying them higher wages than do for-profit organizations.

Our research confirms these findings (Table 5). Wages are lower in private organizations than in public ones. Differences between nonprofit organizations and for-profit firms are minor. The minimum levels are recorded by social cooperatives and religious nonprofits, followed by for-profit enterprises.¹⁰ The wages paid by the latter, however, are on average lower than those paid by nonreligious nonprofits.¹¹

MOTIVATIONS

Few authors have examined the motivations that induce workers to choose one particular job rather than any other, the exceptions being Pagano (1985) and Frey (1997). These authors found that monetary motivations are not the only driving force behind workers' choices. Frey stressed that, under certain conditions, nonmonetary motivations such as intrinsic ones may be crowded out by monetary incentives. In the current study, a separate analysis of attitudes toward work and the reasons for choosing a specific organization sheds useful light on the motives that induce workers to prefer a specific sector and a specific organization. As regards the former, the survey (Table 6) shows that workers in the social services sector see their work primarily as a means to

Table 4. Loyalty to the Organization by Nature of the Organization (percentage)

	<i>Public Ownership</i>	<i>For Profit</i>	<i>Social Cooperatives</i>	<i>Other Nonreligious Nonprofit</i>	<i>Religious Nonprofit</i>	<i>Total</i>
Intend to stay as long as possible	.37	.49	.47	.51	.63	.47
Intend to stay at least for a few years	.13	.11	.18	.12	.08	.13
Quit the organization if a better job opportunity in the same sector is found	.22	.17	.15	.14	.12	.17
Quit the organization if a better job opportunity in a different sector is found	.17	.20	.14	.22	.14	.17
Leave the organization as soon as possible	.03	.01	.01	.00	.01	.01

Table 5. Workers' Pay in the Social Services Sector by Type of Organization (average values in euros)

	<i>Public Ownership</i>	<i>For Profit</i>	<i>Social Cooperatives</i>	<i>Other Nonreligious Nonprofit</i>	<i>Religious Nonprofit</i>
Monthly pay (full-time)	852.91	768.27	692.26	799.83	721.33
Hourly pay (full-time)	5.73	5.10	4.85	5.61	4.75

earn a living, that is, as a necessity and as a way to support their families. Nevertheless, they also give great importance to the sociorelational aspects of their work because they believe it to be an opportunity for self-fulfillment and for relating with others.

The analysis of the choice of the organization is interesting as well. Workers choose the organization mainly because they are attracted by the sector in which it operates, though some influence is also exerted by approval of the way in which the organization works with its users, the consistency of the job with training, and its compatibility with other commitments. Features that are instead of minor importance in determining the choice of an organization are the pay and the career prospects that it offers.

Of considerable importance are the marked differences among workers in the various types of organization; and different motivations are apparent, first among public, for-profit, and nonprofit organizations, and second among

Table 6. Attitudes Toward the Work and the Organization (average)^d

	Public Ownership	For Profit	Social Cooperatives	Other Nonreligious Nonprofit	Religious Nonprofit	Total
Attitudes toward work						
Intrinsic aspects						
An opportunity for self-fulfillment	5.5 ^c	5.8 ^c	5.5	5.6	5.7	5.6
A contribution to society	4.3	4.2 ^c	4.2 ^b	4.4	4.6	4.3
Extrinsic aspects						
A necessity	5.6	5.7	5.6	5.6	5.7	5.6
A hobby	2.1 ^a	2.2 ^a	2.1 ^a	1.9	2.5	2.1
A way to gain recognition	2.5 ^b	3.0 ^c	2.8	2.6	2.5	2.6
Economic aspects						
To earn a living	5.7	5.9	5.6	5.6	5.8	5.7
To earn as much as possible	2.8 ^a	3.4 ^a	2.9 ^a	2.8	3.3	2.9
To support the family	5.5 ^a	5.7 ^a	5.1 ^c	5.3	5.5	5.4
Relational aspects						
An opportunity to form new relationships	4.9 ^c	5.0 ^c	4.8	4.6	4.9	4.8
Choice of organization						
Intrinsic motivations						
Interest in the sector	5.3 ^a	4.9 ^a	5.5 ^b	5.6	5.2	5.4
Process-related motivations						
The way in which it works with users	3.8 ^a	4.0 ^a	4.6	4.7	5.0	4.4
Workforce involvement	3.1 ^a	3.5 ^a	3.9 ^a	3.4	3.9	3.5
Extrinsic motivations						
Match with training	4.6 ^a	4.2 ^a	4.3 ^a	4.9	4.4	4.5
Compatibility with other commitments	4.5 ^b	4.6 ^b	4.5 ^a	4.4	5.0	4.5
Job security	4.5 ^a	5.2 ^a	3.4 ^a	3.7	4.9	4.1
Economic						
Pay and career	2.1 ^a	2.4 ^b	2.3 ^b	2.3	2.7	2.3
Relational motivations						
Getting to know other workers	2.8 ^a	2.6 ^a	3.4 ^b	3.7	3.7	3.2
Getting to know users	2.0 ^a	1.7 ^a	2.3 ^a	2.5	2.8	2.3
Only job available	3.6 ^a	4.0 ^a	3.4 ^a	3.3	4.2	3.6

Note: a, b, c. The analysis of variance of the differences between the means across organizational forms (ANOVA) was significant at the 1% level (a), 5% level (b), and 10% level (c), respectively. Indexes in the first column (Public Ownership) are referred to mean differences for all five organizational forms. Indexes in the second column (For Profit) are referred to the private sector (four organizational forms). Indexes in the third column (Social Cooperatives) are referred to the nonprofit sector (three organizational forms).

d. The interviewees chose a value from a scale from 1 (*minimum*) to 7 (*maximum*).

nonprofits themselves. As far as attitudes toward work in general are concerned, workers show markedly different economic and extrinsic motivations, while intrinsic and relational motivations are more similar and differences are hardly significant across organizational forms. This is indicative of a shared position vis-à-vis the sector as a whole, that is, of a general interest among workers in the activities of the social services sector. Economic motivations are particularly strong for workers employed in for-profit organizations and particularly weak for workers in social cooperatives and other lay nonprofits.

As for the choice of the specific organization, differences in motivations are all highly significant, even between nonprofit forms (Table 6). Hence, organizational features are crucial variables in sorting workers into different categories. Workers in nonprofit organizations, and especially in social cooperatives, give more importance to workforce involvement. They are more concerned with intrinsic reasons for choosing the organization and attach greater value to the interaction with users. On the other hand, religious nonprofits often fulfill the role of employers of last resort, like public bodies and for-profit firms, and their workers place much greater stress on job security, pay, and career advancement.

THE MIX OF INCENTIVES

The motivations that drive workers in their job searches and in their choice of a specific organization should be matched with the way in which the organization seeks to encourage workers' involvement in its objectives. Different aspects of the job correspond to different categories of incentives. Organizations will strive to satisfy workers along different dimensions by devising different incentive mixes. A trade-off can be imagined between different components of the incentive mix; and organizations able to produce specific categories of incentives at lower costs are likely to resort to those categories. For example, organizations better able to satisfy self-regarding motivations with monetary incentives may find it more difficult to satisfy intrinsic motivations. The economic results in efficiency terms may prove to be comparable with those organizations that satisfy workers at the intrinsic, but not the monetary level. In this section, we investigate how different organizational forms use different incentive mixes, and what their structures are.

We use self-reported levels of satisfaction with different aspects of the job as proxies for the incentive mix put in place by different organizational forms. This way of representing the incentive mixes is clearly an indirect one because we do not have any direct measure of nonmonetary incentives at our disposal, whereas the wage is our only measure of economic incentives. Hence, each item of satisfaction should be understood as one possible proxy for incentives, though by no means the only one. Given these limitations, when workers are more satisfied with a certain aspect of their job, this is taken as indicating that the organization is better able to supply that kind of

incentive. Incentive mixes reflect the partition made in the second section because they can be grouped into self-regarding, process-related, and other-regarding.

SELF-REGARDING INCENTIVES

We include economic, extrinsic, and relational aspects of the job among self-regarding incentives. The remuneration offered by the organization to its workers consists of not only pay but also of other, nonmonetary, yet self-regarding aspects of work (Table 7). Exploration of these aspects yields a more detailed picture of their repercussions on job satisfaction and of their ability to respond to workers' initial motivations just as much as pay, or even more so.

Hence, workers' individual well-being depends on the satisfaction that they derive directly from the wage, job security, the work environment, working hours, and possibilities of career advancement. Besides, individual satisfaction is also correlated with opportunities to establish relations of trust, knowledge, and collaboration with other persons within the organization. Relational satisfaction is included in the individual component of well-being because it is a form of remuneration consumed on the job by the individual and can be exchanged for a lower wage when workers place high value on personal interactions on the job (Borzaga & Depedri, 2005). This is an aspect of particular importance also because it has only recently been subjected to systematic analysis (Gui & Sugden, 2005). Relational aspects engender a sense of group belonging, of involvement in the organization's mission, and of integration into the productive structure. Furthermore, relations are essential for the production of services like social ones where productivity and efficiency are evaluated mainly in qualitative, human, and therefore relational, terms.

The picture that emerges is one in which workers in nonprofits seem to be the most satisfied with self-regarding aspects of their job when extrinsic and relational aspects are considered. Rather unexpectedly, workers in nonprofits are the most satisfied with career advancement, past and future, probably because nonprofits are more dynamic and many of their workers expect to reach high levels in the hierarchical structure. They are also the workers most satisfied with working hours and relations with volunteers (who are virtually absent in for-profit firms, and rare in the public sector). On the other hand, workers in social cooperatives are the least satisfied with the wage.

Workers in public bodies are the least satisfied with all self-regarding aspects apart from job security. They are not even satisfied with the wage level, even though they receive the highest pay levels. For-profit firms seem to be characterized by an incentive mix that stresses the importance of job security, the working environment, and monetary incentives. Relational aspects appear to be as good in for-profit firms as they are in nonprofit organizations, whereas workers in public bodies show pronounced difficulties in their relations with superiors.

Table 7. Satisfaction With Self-Regarding Aspects of Work by Type of Organization (average)^d

Satisfaction With . . .	Public	For	Social	Other	Religious	Total
	Ownership	Profit	Cooperatives	Nonreligious Nonprofit	Nonprofit	
The job as a whole	4.99 ^a	5.39 ^c	5.39 ^b	5.25	5.53	5.26
Economic aspects						
Wage	4.02 ^a	4.19 ^a	3.78 ^a	4.17	4.64	4.07
Career advancements achieved	2.47 ^a	3.05 ^a	3.54	3.23	3.37	3.10
Future career advancements	2.28 ^a	2.85 ^a	3.49 ^a	2.99	3.11	2.93
Extrinsic aspects						
Working hours	4.58 ^a	4.58 ^a	4.97	4.89	5.07	4.81
Job security	4.72 ^a	5.33 ^a	4.25 ^a	4.58	5.46	4.70
Work environment	4.07 ^a	4.77 ^a	4.53 ^a	4.54	5.06	4.48
Relational aspects						
Relations with superiors	4.72 ^a	5.34 ^a	5.40 ^a	5.18	5.61	5.17
Relations with colleagues	5.22 ^a	5.65	5.69	5.59	5.56	5.51
Relations with volunteers	5.17 ^a	4.91 ^a	5.45 ^b	5.66	5.79	5.47

Note: a, b, c. The analysis of variance of the differences between the means across organizational forms (ANOVA) was significant at the 1% level (a), 5% level (b), and 10% level (c), respectively. Indexes in the first column (Public Ownership) are referred to mean differences for all five organizational forms. Indexes in the second column (For Profit) are referred to the private sector (four organizational forms). Indexes in the third column (Social Cooperatives) are referred to the nonprofit sector (three organizational forms).

d. The interviewees chose a value on a scale from 1 (*minimum*) to 7 (*maximum*).

Differences across organizational forms are all highly significant, even between nonprofit forms. Only in the case of relations with colleagues do private organizations record homogeneous levels of satisfaction. In the case of working hours, workers in nonprofits are more satisfied, and there are no significant differences among them. It seems, therefore, that each organizational form tends to develop its own particular incentive mix, and this has important implications for the satisfaction of workers' motivations. The presence of different organizational forms in the same sector may also indicate that efficiency can be achieved with different organizational patterns.

PROCESS-RELATED AND OTHER-REGARDING ASPECTS

Process-related aspects of the job (Table 8) make up the second group of elements defining the incentive structures realized by different organizational forms. They define a firm's routines and its "organizational values." Professional development, worker involvement, the variety and creativity of the job, and the fairness of decisional processes are routines determining "the way the organization works," though they may also involve individual aspiration, as in the case of the variety and creativity of the job.

Table 8. Satisfaction With Process-Related and Other-Regarding Aspects of the Work by Type of Organization (average)^d

Satisfaction With . . .	Public	For	Social	Other		Total
	Ownership	Profit	Cooperatives	Nonreligious Nonprofit	Religious Nonprofit	
The job as a whole ^a	4.99 ^a	5.39 ^c	5.39 ^b	5.25	5.53	5.26
Process-related aspects						
Professional development	4.15 ^a	4.03 ^a	4.99 ^a	4.45	4.72	4.50
Decision-making autonomy	3.99 ^a	4.01 ^a	4.77 ^a	4.38	4.56	4.36
Variety and creativity of the job	4.40 ^a	4.20 ^a	4.95 ^b	4.65	4.77	4.63
Recognition of one's contribution	4.17 ^a	4.29 ^a	4.90 ^a	4.56	4.79	4.54
Other-regarding aspects						
The social usefulness of the job	5.16	5.32	5.34	5.40	5.49	5.31

Note: a, b, c. The analysis of variance of the differences between the means across organizational forms (ANOVA) was significant at the 1% level (a), 5% level (b), and 10% level (c), respectively. Indexes in the first column (Public Ownership) are referred to mean differences for all five organizational forms. Indexes in the second column (For Profit) are referred to the private sector (four organizational forms). Indexes in the third column (Social Cooperatives) are referred to the nonprofit sector (three organizational forms).

d. The interviewees chose a value on a scale from 1 (*minimum*) to 7 (*maximum*).

Nonprofit organizations have a clear advantage in this area. They score highest on all items, and differences with respect to public bodies and for-profit firms are significant. Among nonprofits, social cooperatives rank highest on all process-related items, demonstrating a special ability to involve workers, to give them more autonomy, and to recognize individual contributions. Their democratic governance structure may play a part in this result, in that it gives workers more opportunities to express themselves freely on the job. Hierarchy is likely to characterize public bodies and for-profit firms, stunting involvement and autonomy—the latter being particularly weak in the workers' judgment. Differences in means are all highly significant among nonprofits as well, once again showing a strong characterization of incentive mixes.

Incentive mixes do not seem to be influenced by other-regarding preferences. Indeed, workers stated that they are satisfied with the social usefulness of their jobs in all organizational forms, and differences in perceived satisfaction are not significant.¹²

FACTORS INFLUENCING WORKER SATISFACTION

Having described the main features of incentive mixes that can be deduced by using worker self-reports on the items of satisfaction, we can now focus on the relations among motivations, organizational form, and worker satisfaction. The reason for doing so is to take account not only of incentives but also

Table 9. Satisfaction With the Job as a Whole (ordered probit estimate)

Variable	Coefficient	Z	p[Z > z]	Significance
Age ^a	.004	1.480	.140	
Gender ^c	-.072	-1.260	.209	
Level of education ^d (incremental variable from lower secondary school certificate to degree or MA)	-.106	-5.390	.000	***
Specific training ^c	-.131	-2.220	.027	**
Open-end contract ^c	-.048	-0.870	.386	
Tenure in the organization (years) ^a	-.008	-2.190	.028	**
Hourly wage ^a	.009	0.780	.435	
Activity in direct contact with clients ^c	-.175	-2.760	.006	***
Time spent with clients ^d	.113	5.880	.000	***
Quality of organization and/or client relations ^d	.026	1.020	.307	
Presence of volunteers ^c	.012	0.200	.843	
Nature of the organization ^c (0 = private organization, 1 = public organization)	-.289	-4.390	.000	***
Intrinsic attitudes ^b	.174	10.150	.000	***
Extrinsic attitudes ^b	-.021	-0.870	.386	
Economic attitudes (interest in the wage) ^b	-.047	-2.380	.017	**
Relational attitudes ^b	.056	3.860	.000	***

Maximum likelihood estimates: observations = 2066
Iterations completed = 2
Log likelihood function = -3424.297
 $\chi^2 = 268.81$, $df = 14$
Pseudo $R^2 = .0378$
Significance level = .0000

Note: a. Continuous variable.

b. Continuous index ranging from 1 to 7.

c. Dummy variable: 0 = absence, 1 = presence.

d. Ordered variable.

** $p < .05$. *** $p < .01$.

of the motivational factor in worker satisfaction. More motivated workers may become more closely involved in the firm's operations and find more occasions for self-fulfillment. Hence, they may be more satisfied.

The ordered probit regression describing the elements influencing satisfaction with the job as a whole is set out in Table 9. Among workers' personal characteristics, the level of education influences satisfaction negatively, with more educated workers being significantly less satisfied. In addition, workers with specific training in the sector are less satisfied with their jobs. They

are likely to overestimate the job's potential to satisfy them, for example, at the level of participation and creativity. Expectations about the job are likely to increase with the level of education and specific training. Seniority in the organization, in terms of number of years, also negatively influences satisfaction. Seniority may influence satisfaction negatively because initial enthusiasm decreases as time passes, causing burnout. On the other hand, gender and age do not influence satisfaction.¹³ As regards relations with clients, time spent with clients increases workers' utility, whereas workers who only occasionally interact with clients seem to be less satisfied. Hence it seems that the activity in contact with clients increases worker utility only when it is customary. The hourly wage is not significant: Satisfaction with the job as a whole is uncorrelated with the level of monetary remuneration. The public nature of the organization reduces satisfaction significantly, and this confirms that private organizations offer better incentive mixes to workers (a private vs. public dummy variable captures this effect).

The last group of variables reflects workers' attitudes toward work in general as set out in Table 6.¹⁴ Self-regarding attitudes were sorted into economic, other extrinsic, and relational, whereas intrinsic attitudes included only other-regarding preferences.¹⁵ Intrinsic other-regarding and relational attitudes are those that best support greater satisfaction. This means that workers driven by deeper lying motivations and by the desire to build positive social relations on the job are more likely to be satisfied with their work. The result is more striking when the negative linkage between economic attitudes and general satisfaction is added: Workers driven by economic motivations are less satisfied with their work. It may be that jobs in the social service sector leave workers motivated by economic considerations particularly unsatisfied, given the low level of wages in social cooperatives, for example, so that the result cannot be generalized.

The main implication of these results is that firms ought to pay very close attention to their workforce motivations. Motivations may be screened during the hiring process. On the other hand, organizations unable to offer incentive mixes that enhance positive workers' attitudes will be at a competitive disadvantage.

FACTORS INFLUENCING LOYALTY TO THE ORGANIZATION

One way to check the robustness of results on satisfaction with the job as a whole is to consider whether workers more satisfied with the incentives offered by their organizations are also more loyal to them, and to try and single out what aspects of the job have the closest bearing on loyalty.¹⁶ If satisfaction is important for loyalty, this means that incentive mixes favoring greater worker satisfaction strengthen organizational cohesion by reducing turnover and can increase the pace of accumulation of firm-specific human capital.

To this end, the dependent variable in the ordered probit regression corresponds to workers' desire to stay with the organization (Table 10).¹⁷ The items of satisfaction were grouped based on the categories shown in Tables 7 and 8. To single out the effect of the organizational form, the public versus private dummy was again introduced.

As far as personal characteristics are concerned, the intention to stay is positively related to workers' age, but negatively to the level of education: Workers who are younger and better educated tend to be less loyal, probably because they more often take other job opportunities into consideration. As for organizational variables, good quality relations between the organization and its clients are likely to increase loyalty. As in the case of worker satisfaction, there is no relationship between the level of the wage and workers' loyalty. Nor is the nature of the organization (public vs. private) important for loyalty. Hence workers in public bodies are less satisfied, although lower satisfaction does not make them less loyal.¹⁸

Inspection of the items of satisfaction shows a close relation between workers' loyalty on the one hand, and satisfaction with economic and process-related items on the other. It is quite clear that organizations able to satisfy their workforces economically and to involve workers in their activity, for example in the realm of professional growth, are better able to retain them, at least in terms of workers' willingness to stay.¹⁹ Also, extrinsic and relational satisfaction play a positive role in spurring loyalty, albeit to a lesser extent. Only intrinsic items (the social usefulness of the work) are not significant in explaining loyalty.²⁰ When these last results are compounded with those on satisfaction, an interesting picture emerges. Although workers' motivations, especially intrinsic, strongly influence satisfaction, loyalty is not influenced by motivations, but rather by mixes of incentives satisfying the self-regarding and process-related aspects of the job. It seems that when workers are not sufficiently satisfied with self-regarding and process-related aspects, intrinsic motivations lose their strength even when they are fulfilled, becoming unable to influence workers' willingness to stay.²¹

CONCLUDING REMARKS

Theories explaining the existence of nonprofit organizations often lack convincing arguments centered on how these organizations strive to manage their internal agency relations effectively, first and foremost their relations with the paid workforce. Because of the existence of market failures such as asymmetric information, nonprofits often resemble "black boxes" interacting with the external environment. This study has sought to introduce new arguments on the importance of labor relations in nonprofits. It has done so by exploiting a unique data set on the Italian social service sector, where attitudes and motivations toward work are described, and self-reported satisfaction scores concerning different work dimensions are recorded.

Table 10. Loyalty to the Organization (ordered probit estimate)

Variable	Coefficient	Z	p[Z > z]	Significance
Age ^a	.019	5.750	.000	***
Gender ^c (0 = male, 1 = female)	.024	0.380	.702	
Level of education ^d (incremental variable from lower secondary school certificate to university degree or MA)	-.122	-5.720	.000	***
Specific training ^c	.018	0.290	.773	
Open-end contract ^c	-.069	-1.120	.264	
Tenure in the organization (years) ^a	-.004	-1.130	.258	
Hourly wage ^a	.001	0.050	.958	
Presence of volunteers ^c	.040	0.620	.537	
Quality of organization and/or client relations ^d	.118	4.160	.000	***
Nature of the organization ^c (0 = private organization, 1 = public organization)	-.101	-1.400	.161	
Extrinsic satisfaction ^b	.047	1.970	.049	**
Economic satisfaction ^b	.140	6.210	.000	***
Relational satisfaction ^b	.062	1.690	.091	*
Process satisfaction ^b	.129	5.360	.000	***
Intrinsic satisfaction ^b	.003	0.170	.866	

Maximum likelihood estimates: observations = 2066

Iterations completed = 3

Log likelihood function = -2609.1671

$\chi^2 = 338.52$, $df = 15$

Pseudo $R^2 = .0609$

Significance level = .0000.

Note: a. Continuous variable.

b. Continuous index ranging from 1 to 7.

c. Dummy variable: 0 = absence, 1 = presence.

d. Ordered variable.

* $p < .10$. ** $p < .05$. *** $p < .01$.

Different organizational forms appear to be characterized by different incentive structures with diverse abilities to satisfy workers along various work dimensions. Hence internal labor relations emerge as a crucial variable in explaining the ability to match workers' motivations and organizational objectives, and thus increase competitive potential. On the other hand, wage differentials prove to be only one of the elements in this complex picture, contrary to the hypotheses put forward by many other studies. Nonprofits are able to obtain the highest degree of worker satisfaction on most of the items considered, notwithstanding their disadvantage in the field of monetary remuneration. More important, they seem the best able to involve the workforce.

Analysis of satisfaction and loyalty carried out by means of ordered probit estimations showed that intrinsic and relational attitudes are crucial factors in increasing worker satisfaction, whereas workers driven by economic attitudes appear less satisfied. Workers are more loyal when they are satisfied mainly with the economic and process-related aspects of their jobs, whereas intrinsic motivations do not affect significantly workers' loyalty. These results may contribute to a plausible explanation of the recent spread of service-providing nonprofit organizations in many national contexts such as Italy's. The specific strength of nonprofit organizations resides in process-related aspects of the incentive mix, whereas they seem to be weaker at the economic level, but not to an extent that they are dominated by the other organizational forms.

Policy recommendations may start from the observation that internal labor relations do matter, and the ability of incentive mixes to motivate the workforce to pursue organizational objectives is a proxy, though not the only one, for the organization's survival and development potential. The most suitable adaptation of the institutional structure to the specific ways in which different organizational forms motivate their workforce and pursue their objectives is the first direction to follow. Furthermore, account should be taken of the specific features of different organizational forms: Lower costs in providing nonmonetary incentives and higher worker satisfaction seem to have been the hallmarks of nonprofit organizations to date, at least in the Italian social service sector. Policies designed to strengthen nonprofits' ability to satisfy workers are fully justified by the empirical findings of this article because satisfaction is likely to be the main organizational pattern through which nonprofits are able to increase their competitiveness and efficiency. An improved competitive potential is likely also to improve nonprofits' ability to retain their workforces.

Notes

1. Social cooperatives are enterprises in which ownership and governance rights are assigned to the workers or to a mix of workers and volunteers. They constitute the most recent evolution of the cooperative form and are characterized by the pursuit of community interest objectives. Social cooperatives, introduced for the first time in Italy in 1991, by Law no. 381, conjugate the main features of traditional cooperative enterprises and traditional nonprofit organizations. The former are often controlled by the workforce on the basis of the "one man, one vote" rule. Hence, they are worker-owner in this specific sense. However, workers are entitled to appropriate residual earnings, which are mostly reinvested in reserves not disposable by members, only to a very limited extent. In this latter sense social cooperatives are nonprofit organizations characterized by the nonprofit distribution constraint.

2. The data set used in the current study, which will be more fully described in the third section, includes all five organizational forms. It was created at the University of Trento, Department of Economics, in 1998 and 1999, by the Institute for the Development of Nonprofit Organizations (ISSAN), in collaboration with Italian Foundation for Voluntary Work (FIVOL), and European Foundation for Employment (FEO).

3. Among authors more skeptical as to whether nonprofit organizations represent valid alternatives to public organizations and for-profit enterprises in the production of social services are Glaeser and Shleifer (2001) and Ortmann and Schleisinger (2003).

4. The National Longitudinal Study Youth for the United States (U.S. Department of Labor, 1994-2000) and the British Household Panel Survey for the United Kingdom (U.K. Institute for Social and Economic Research, 1991-1999).

5. The traditional distinction of incentives into extrinsic and intrinsic is simpler and may have been more intuitive. However, we choose to use the Ben-Ner and Putterman (1999) classification because it seems more complete and better suited to our purposes and data. Process-related aspects of organizational behavior are paramount in the study of how organizations work. Indeed, recent results (Benz & Stutzer, 2003) view procedures as crucially affording deeper understanding of worker satisfaction. Finally, process-related incentives are particularly interesting in our case because they strongly characterize nonprofit organizations, whereas differences concerning the other typologies of incentives are less pronounced. The Ben-Ner and Putterman (1999) classification explicitly singles out process-related incentives, which would be difficult to include among extrinsic or intrinsic incentives. Process-related incentives might be classified as intrinsic aspects of the job; however, they do not only pertain to workers' desire for self-fulfillment and participation but also concern organizational objectives and routines as well.

6. Official data on the social service sector published in the Italian National Agency for Statistics (ISTAT) 2001 *Census on Industry and Services* show that nonprofit organizations represent about 93% of the organizations in health care services (employing 86% of the workforce), 61% of the organizations in residential social assistance (50% of the workforce), and 74% of the organizations in nonresidential social assistance (61% of the workforce). Hence, the weight of each of the five organizational forms in the sample roughly corresponds to the real distribution in the sector, except for for-profit enterprises, which are overrepresented. Their weight was increased to improve the robustness of comparisons between organizational forms.

7. The Italian National Agency for Statistics (ISTAT; Centro Studi CGM, 2004) recorded 5,515 social cooperatives in 2001. Recent estimates reported in the Fourth Report on Social Cooperation in Italy, edited by the Centro Studi CGM in 2004, put at about 7,100 the number of social cooperatives at the end of 2003. They employed about 173,000 paid workers (67.7% of whom were women), 24,000 volunteers and 20,000 disadvantaged workers. They were concentrated in social care services (65.1% of the paid workforce), with a large presence also in economic and social development (14.1% of the workforce) and in health care (11% of the workforce). Social cooperatives constituted only a tiny fraction, 3%, of the total number of Italian nonprofit organizations (235,000), the great bulk of which were made up of recognized associations (65,000), unrecognized associations (145,000) and foundations (3,500). However, paid workers in social cooperatives represented almost 30% of the total employed by nonprofit organizations. Hence they displayed a much stronger entrepreneurial vocation than other nonprofit typologies.

8. This statement refers mainly to women employed in the social service sector. In the Italian labor market, the female activity rate is much lower than the male one (75% for men vs. 50% for women in 2003; however, *the former was 43% in 1995 and about 33% in 1975*). Furthermore, a specific type of social cooperative is designed to employ *disadvantaged workers*, defined as long-run unemployed and hard-to-employ workers.

9. The few usable comparative data on worker satisfaction at our disposal derive from the International Social Survey Programme, which, in Italy, was carried out by Eurisko in 1998. This concerned a sample of 2,714 workers representing the entire national economic system. Valid questionnaires, usable for elaboration, amount to 1,017. Our calculations show that the level of satisfaction expressed by workers, given suitable scale recalculation, is 5.48 for independent workers (entrepreneurs, professionals, retailers, and artisans), and 4.97 for employed workers. Given our value of 5.28 for satisfaction with the job as a whole, differences appear to be significant above all with respect to employed workers. Data sorted by sector, differentiating services from manufacturing, are not available. Given the lower values usually recorded by workers in the manufacturing sector, differences in the service sector are likely to be smaller. At the European level, the European Survey on Working Conditions (European Foundation for the Improvement of Living and Working Conditions, 1995-1996) reports a value for the service sector of 5,565 (but rough data were expressed on a 1-to-4 scale), whereas the European Community Household Panel (European Commission, 1994-1996) shows a value of 5,145 (rough data were expressed on a 1-to-6 scale). These last two

figures are given by the *OECD Employment Outlook 2001* (Organization for Economic Cooperation and Development, 2001). Given the difficulty of performing precise comparisons, as a general rule we take a value of 5 on the 1-to-7 Likert-type scale as indicating a good degree of satisfaction.

10. The lowest hourly wages are recorded in religious nonprofits, whereas social cooperatives pay the lowest monthly wage. This is because workers in social cooperatives work slightly fewer hours than do workers in religious nonprofits (34.6 and 36 hours, respectively).

11. A possible explanation for the low pay levels in the social service sector is that, although at the moment wages are relatively low, the social services sector is still too segmented, populated by young, small organizations that have not yet had opportunities to integrate and exploit possible economies of scale and scope. The high potential demand favored by the aging of the Italian population may not yet have become effective, owing to traditional reliance on public and family intervention. As the sector becomes more mature and structured, we expect to see a growth in revenues and wage levels.

12. Besides, one single item concerning intrinsic incentives may not be sufficient to explore this side of organizational behavior satisfactorily.

13. This contrasts with the findings of Mirvis and Hackett (1983), who for the United States found higher female than male satisfaction in the 1970s. Their main conclusion is that women's satisfaction is boosted by weaker working positions and lower expectations about professional role and pay.

14. We chose to use only attitudes toward work in general, and not the reasons for choosing the specific organization, because the latter, as represented in Figure 1, imply a bidirectional relation between firms and workers. Problems of inverse causality are likely to be more severe, and cross-sectional data, like those available to us, are not suited to this kind of analysis.

15. Process-related preferences toward work are absent from the original questionnaire.

16. The only organizational-level loyalty variable available to us is turnover. In our view, this is not a particularly good proxy for loyalty because it is influenced by other aspects of the employment relationship unrelated to workers' willingness to stay with the organization, such as contract typology, market demand, and organizational employment policies. Hence we prefer to work with self-reported intentions.

17. The variable was ranked from 1 to 5 based on the following items: leave as soon as possible, leave for a different sector, leave for the same sector, stay at least for a few years, stay as long as possible.

18. This result warrants further comment, given the marked differences in intentions to stay across different organizational forms highlighted in Table 4. If the same regression is run without the items of satisfaction, the public versus private dummy proves quite strongly significant (at the 5% level). It therefore seems that the items of satisfaction represent a more fundamental determinant of loyalty than the organizational form because they substitute the organizational form as the significant variable. In other words, workers are more loyal when they are satisfied, the organizational form notwithstanding; however, they are more satisfied in private organizations.

19. It is interesting to compare these results with a new stream in the literature that identifies *embeddedness* as the main determinant of loyalty (Abzug & Watson, 2005; Erez, Holtom, Lee, Mitchell, & Sablinski, 2001). Satisfaction with the job, it is argued, is not the best predictor of loyalty because other elements beyond the organization's control must be taken into account, most notably demand and labor market conditions, life occurrences, and so on. To make these exogenous events at least partly endogenous, *embeddedness* is defined as the sum of three elements: the links between individuals and coworkers, perceptions of fit with organization and community, and the sense of sacrifice were the position to be relinquished. Organizations able to render workers "embedded" in their economic and social environment are more likely to retain them because nonmonetary costs to turnover will increase considerably. We do not have at our disposal specific items of satisfaction representing embeddedness as defined in the above studies. However, we may start from the observation that embeddedness can be included in the definition of the incentive mix offered by organizations. Moreover, the items constituted in process satisfaction can at least be a partly good proxy for embeddedness. Process satisfaction is highly significant in influencing loyalty, and this may be provisional confirmation of the importance of embeddedness in reinforcing the linkages between workers and organizations.

20. Running the regression on loyalty using general satisfaction with the job instead of the various items of satisfaction yields an extremely high degree of significance for satisfaction.

21. Borzaga and Depedri (2005), working on the same data set, focused on interpersonal relations. They showed that worker loyalty is spurred principally by extrinsic and relational satisfaction, although the role of process-related and economic aspects is not clearly singled out. They also showed that extrinsic, economic, and relational motivations do not influence loyalty. Borzaga and Tortia (2004) demonstrated that intrinsic motivations do not influence loyalty when compared with the items of satisfaction. Hence the influence of motivations on loyalty is much weaker than the influence of satisfaction. These results are also consistent with the hypotheses put forward in Figure 1.

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