

CAN BUREAUCRATS REALLY BE PAID LIKE CEOS? SUBSTITUTION BETWEEN INCENTIVES AND RESOURCES AMONG SCHOOL ADMINISTRATORS IN CHINA

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Abstract

Unlike performance incentives for private sector managers, little is known about performance incentives for managers in public sector bureaucracies. Through a randomized trial in rural China, we study performance incentives rewarding school administrators for reducing student anemia—as well as complementarity between incentives and orthogonally assigned discretionary resources. Large (but not small) incentives and unrestricted grants both reduced anemia, but incentives were more cost-effective. Although unrestricted grants and small incentives do not interact, grants fully crowd-out the effect of larger incentives. Our findings suggest that performance incentives can be effective in bureaucratic environments, but they are not complementary to discretionary resources. (JEL: O15, I12, H40, M52)

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