Is This Just about Now? Incentives in the Online Crowdsourcing Market

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Abstract

The emergence of online crowdsourcing markets allows firms to access an abundant number of potential workers, while helping these workers offer their services to the firms who value the qualified workers (and the related service) most. Such markets are credited for spurring innovation and technology breakthroughs. Compared with traditional type of innovation factories, these online platforms enable geographically segmented workers and firms to make contacts with each other at a relatively low cost. Although these platforms widely adopt instant cash prizes, other incentive schemes are discussed and/or advocated by some platform developers. Using data from a leading online crowdsourcing platform, we find higher instant cash prizes do not necessarily lead to more participants and better quality of work. Further, the participants behave differently in response to the instant monetary rewards. For some workers, the nature of loving the job is an important factor to participate and contribute, while others care more about the instant cash. The unique natural experimental induced by adding a distant future reward linked to the consistent participation and performance in the platform is then utilized to validate the findings. Providing a high instant cash prize might attract the “wrong” people into the tasks and therefore reduce the quality of the submissions. Enthusiastic programmers react 10 times more actively to the long-run payoffs and pay more attention to the head-to-head competition than the mere number of participants. Propensity score matching method further confirms significant improvement in quality and participation after controlling for endogenous entry. We conclude not considering such long-run payoffs and worker heterogeneity could lead to misaligned incentives for the potential workers, and therefore reduce the quality of innovation generated for the firms and undermine the intentions of the online crowdsourcing platforms.

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