The Glittering Prizes:
Career Incentives and Bureaucrat Performance[*]

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October 4, 2017

Abstract

Owing, in part, to the difficulties in measuring employee performance, bureaucracies and other public sector organisations are configured differently to private sector and political organizations. Though entry is competitive, promotion is based on seniority, jobs are often for life and retirement occurs at a fixed age. This implies that older entering officers, who are less likely to attain the glittering prize of reaching the top of the bureaucracy before they retire, may therefore be less motivated and put in less effort. Using a nationwide stakeholder survey and rich administrative data on elite civil servants in India we find evidence of this effect – officers capped from reaching the senior-most positions before they retire are percieved to be less effective and more likely to be suspended. These effects weaken once the constraint on career progression is relaxed through a reform that extends the retirement age, consistent with stronger promotion prospects enhancing career incentives. We then demonstrate that states containing a higher proportion officers who are unlikely to reach the top of the bureaucracy grow less quickly but that this effect is weakened after the retirement age in extended. Career incentives therefore affect both bureaucrat effectiveness and aggregate economic performance.

JEL classification: D73, H11, O10