

'Public Service Motivation' and performance incentives: a literature review

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Introduction

There is a growing body of work on institutions, incentives and public sector performance. An important aspect of this field seeks to understand how to structure incentives so that employees are well motivated to perform effectively (for example, see Le Grand 2003). The application of various reforms such as performance-related pay together with increasing dissatisfaction with public services and tightening budget constraints facing public authorities has stimulated new debate on the extent to which intrinsic and extrinsic incentives can motivate good performance. The Quality and Outcomes Framework used by the General Medical Services Contract, the Star Ratings used to evaluate the performance of English NHS trusts and the Comprehensive Performance Audit used by central government to measure the performance of local authorities are a few examples of recent policy initiatives in the UK which seek to encourage better public sector performance through a variety of extrinsic incentive mechanisms. In contrast, initiatives designed to improve performance through the use of non-financial and 'informal' incentives are not as widely reported.²

This review focuses on the intrinsic, non financial considerations found in public service, commonly termed 'public service motivation' (PSM). Perry and Wise (1990: 368) define this as 'an individual's predisposition to respond to motives grounded primarily or uniquely in public institutions'.

Other commonly cited definitions include:

- *the motivational force that induces individuals to perform meaningful public service (i.e. public, community, and social service)* (Brewer and Selden, 1998: 417)
- *a general, altruistic motivation to serve the interests of a community of people, a state, a nation or humankind* (Rainey and Steinbauer, 1999: 23)
- *the belief, values and attitudes that go beyond self-interest and organizational interest, that concern the interest of a larger political entity and that motivate individuals to act accordingly whenever appropriate* (Vandenabeele, 2007: 547)

Perry & Hondegem (2008: 3) point out that 'the meaning of public service motivation varies across disciplines and fields, but its definition has a common focus on motives and action in the public domain that are intended to do good for others and shape the well-being of society.' For example, teachers may care about the performance of their students, doctors and nurses about their patients' health; police officers may be concerned about

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² This may be because they have a lower profile, are conducted informally or are in fact less common.

the safety of a community and social workers about the welfare of their clients.

In some analyses, it is theorised that when an organisation produces output that an employee deems socially valuable, the individual may obtain a degree of added utility by contributing to the organisation and its objectives. For example, a university lecturer may be motivated by the role of her institution in contributing to society, its regard for training future generations or its ability to improve the employment and income prospects of its students. A similar, yet distinct approach emphasises the importance of the specific activities of a task. For instance, a university lecturer may gain utility from conducting teaching and research that contributes to the state of knowledge on a subject. The distinction between the primary basis for public service motivation, either from mission valence and motivation or task activity, highlights some of the complexity in this concept. It also suggests a variety of incentives exist at different levels within organisations and underscores the importance of connecting specific task activities to broader mission objectives.

Responding to incentives

A frequently cited instrument for modeling behaviour arising from varied interests is principal agent theory which posits that the interests of the principal(s) (the public, governments, etc.) and those of agent(s) (service providers, public employees, etc.) may diverge and that incentives need to be used to align these interests. Classical economic theory suggests that workers derive utility from the amount of income they receive for the performance of their work. Therefore, payment that is linked to performance is expected to induce tightly aligned preferences between principal and agent whereas compensation that is not linked directly to performance can create incentives to shirk responsibilities and underperform. However, there is considerable evidence that agents gain utility from non-monetary values through building relationships (Windebank 2001), performing good work that is professionally rewarded (Freidson 2001) or other intrinsic concerns (Kirton 2001) such as trust, altruism and goodwill that can be produced through interaction and exchange (Mahoney 1992).

As Bloor (2008) points out in an article on productivity in the medical labour market, 'doctors do not respond simply to financial incentives – all kinds of non-financial incentives also affect behaviour, including trust, duty, altruism, reputation within peer groups and communities, and many other concerns.' This is consistent with other empirical studies comparing public and private sector worker reports of 'reward motivation' that suggest public sector workers tend to be more highly motivated by intrinsic rewards such as ideological goals rather than extrinsic incentives such as financial compensation (Rainey 1982, Jabes & Zussman 1989).

Frant (1996) observes that both 'high powered' incentives, accruing from market transactions and 'low powered' incentives, typically found in the bureaucratic setting can each produce unintended consequences. Higher powered incentives may be overwhelming, resulting in a greater tendency towards dishonest behaviour, while lower powered incentives may be underwhelming, resulting in a propensity for shirking. Similarly, Scott

(2000) reviews the different effects that GP payment systems have on professional behaviour. Salary based contracts in which a GP is paid a fixed amount for service can create incentives to under-treat patients whereas a fee-for-service arrangement where a GP is paid based on the volume of services provided can create incentives to over-treat, resulting in supplier induced demand. A capitation system, in which a GP is paid based on the number of patients enrolled in a practice can create incentives to attract and compete for patients. However, it may also create incentives to attract low cost patients, commonly referred to as 'cream-skimming', as well as producing incentives for increasing referrals or prescriptions in an effort to minimise workload.

Godager et al (2007) look at levels of community service among physicians in Norway with a remuneration rate estimated at 38%-66% of the equivalent private practice rate. They find that 'despite their lower remunerations, community services are undertaken by a significant fraction of physicians beyond the minimum required amount' (Godager et al, 2007: 30). The willingness to perform a greater amount of community service than the minimum required may be evidence of a 'conformity to collectivity-oriented behaviour', a trait that Arrow (1963: 951) suggested distinguishes the behaviour of physicians from other business professionals. The Godager et al study also finds that both gross income and gross debt had negative effects on levels of community service, highlighting the heterogeneity of preferences among physicians.

As Murray (2008: 8) points out, 'the relationships between incentives and agent behaviour are complex and multifaceted...there is no easy way to construct an incentive structure that will deliver high quality public services at least cost...there is no 'one size fits all''. Although it may not be possible to guarantee an optimal set of incentives in all circumstances, through a clearer understanding of how agents respond to various incentives, policymakers are in a more informed position to structure contracts and adjust managerial practices for improved performance.

The results of Public Service Motivation

Public service motivation (PSM) is claimed to promote 'pro-social' behaviour by increasing effort to further the wellbeing of a target group, such as pupils, patients, or social welfare applicants. This pro-social behaviour is often characterised by self-sacrifice, commitment to the public interest and compassion towards others. Examples of such 'pro-social' behaviour commonly cited include various types of 'ethical' behaviour, workers who 'donate' labour by working in excess of contracted hours, or the provision of additional support to co-workers that is not coerced or rewarded extrinsically.

Empirical work in the United States, Canada, Germany and the UK has found evidence of this motivation among public servants (Perry 1996, Houston 2000, Duxbury, Dyke & Lam 1999, Vandenabeele et al 2006). Subsequent work has established that employees who possess PSM have greater job satisfaction, better performance (Grant 2008), are more likely to look for other work inside government and more likely to be supportive of reforms (Naff 1999). Pandey et al (2008) identify that PSM is correlated with organisational citizenship, in effect being 'more considerate toward

their fellow employees and more likely to help their fellow employees with work tasks.' Taylor (2008) finds a direct association between PSM and job satisfaction and organisational commitment. Besley and Ghatak (2005, 2007) point to the efficiency gains from matching agents that possess PSM with mission oriented public and non-profit organisations. In a study on person-environment fit, Steijn (2008) finds that employees with higher levels of PSM are more likely to look for work in the public sector.

Sources of Public Service Motivation

Two primary sources of PSM have been identified in the literature. First, it has been reported that PSM is constructed through individual experiences including life events, socialisation from family influences and education and professional training (Perry 2000). It has also been reported that PSM is cultivated by organisational culture through job characteristics, organisational incentives and the work environment (Camilleri 2007, Moynihan and Pandey 2007). Grant (2008) reports a study that exposed callers soliciting charitable donations from alumni for an American university to a recipient of the charitable donations. The recipient provided a first-hand description of the benefits that accrued from the work the callers were engaged in. This group of callers doubled the number of weekly pledges that they obtained and increased the amount of weekly donation money obtained by more than fivefold, whereas there was no change in the control group. This result suggests that managerial arrangements can influence the effects of PSM. As leadership, policy initiatives and managerial practices can be used to influence both individual values and the way tasks are carried out, these results suggest that authorities could enhance levels of public service motivation among a group or within an organisation.

The link between Public Service Motivation and the choices of entrants into the labour market

Employees that care about the outputs of the organisation accrue greater compensation for their efforts, thus raising the expected intensity of effort. Given that the provision of public services can depend significantly on the effort put forth by employees, there has been considerable attention devoted to the links between PSM and matching employees with public service employers. Empirical work has reported that high scoring PSM types will choose public rather than private sector work (Steijn 2008). This finding is typically based on data from public employees with high levels of PSM who report that they are more likely to look for a public rather than private sector position. Studies examining these choices are often restricted by the availability of data and do not 'drill down' into more realistic scenarios such as the tradeoffs between various occupations. A situation that many job seekers encounter is the possibility of attaining a more lucrative position at an organisation with fewer opportunities to engage in 'pro-social' behaviour. Are high scoring PSM-types willing to forego work that has a public service orientation in return for a higher salary? Besley and Ghatak (2005) report a model that considers (inter alia) how the outside option for workers may affect the type and level of incentives utilised by employers to attract and retain employees. With full employment and a rise in the private sector wage, their model predicts that the public sector will need '...to consider schemes that mimic private sector

incentives' (Besley and Ghatak, 2005: 629). The article points out that although New Public Management reforms in the UK were popular during the 1980s, widespread interest in the use of more higher powered incentives did not occur until the 1990s when there was a return to full employment and a rise in private sector wages. This occurrence may be attributed to the tendency of workers to move from one sector to another in search of higher payoffs. This may mean that workers are willing to forego public service oriented work for higher pay. However, it remains unclear what valuation high-scoring PSM-types place on work that has a public service orientation and how this valuation differs by worker 'type'. Resolving this issue would assist in understanding the strength of 'informal' incentives such as PSM and how it relates to more 'higher powered' incentives such as financial remuneration.

Profiling high-scoring Public Service Motivation-types

Research on PSM cites the importance of a variety of characteristics including altruism, an interest in pro-social behaviour, and self-sacrifice. Evidence suggests that public sector employees are more likely to vote in elections (Garand, Parkhurst, and Seoud 1991a; Watson 1997; Wolfinger and Rosenstone 1980 cited in Houston 2006), engage with civic groups (Brewer 2003) and self-report charitable donations of time, blood and money than private sector counterparts (Houston 2006). However, existing studies on PSM measure the construct in relative isolation rather than relating levels of PSM to other personal or psychological characteristics. The critical issue that these studies do not report is whether high scoring PSM-types have particular measurable characteristics that are stable over time. As a result, it is unclear whether PSM could be accurately measured through a psychometric profiling test such as the Motivation, Values and Preferences Inventory.

As the values underlying motivations tend to be stable over time, this means that it is possible with a reasonable degree of accuracy to predict the way an individual with particular traits can be expected to perform under certain conditions. If a robust link between the high PSM-type and a certain psychometric profile could be established it might be possible to facilitate better matching between high-PSM types and public service oriented organisations.

The relationship between Public Service Motivation and extrinsic incentives

There is an ongoing debate about the way financial incentives such as performance-related pay can affect intrinsic motivations such as PSM. The extensive literature in both psychology and economics on the 'crowding-out effect' of various incentives, suggests that there is a tradeoff between these two types of motivations. Osterloh and Frey (2000) identify a large number of scholars who have studied and found support for this phenomenon, which may be caused by at least three reasons. First, the external motivation may undermine self-determination of the task because the employee feels that the external pressure is the main motivator. In this scenario, the employee does not feel that the activities would warrant the intrinsic motivation as well as the extrinsic motivation, thereby reducing

one's intrinsic attachment to the activity. A similar point is made by Prentice et al (2007:11) who point out, 'it is possible that external financial incentives could overwhelm public service motivation, since it suggests to the employee that their employer recognises no association between output and effort other than a pure, market relationship'. Second, the introduction of a contractual relationship may undermine the original relationship that the worker felt with the activities. While intrinsically rewarding, the employee may feel a certain loyalty and emotional attachment to the activities, however, when a contractual obligation is introduced, it may undermine these bonds. Third, in cases such as paying for overtime work, it may be that by commodifying the task, the employee has a more direct measure of the opportunity cost and will therefore be more likely to avoid incurring this 'cost'.

A more recent development on this theory suggests that when extrinsic rewards are perceived as supporting rather than controlling, they will 'crowd in', that is increase, intrinsic motivations. In a study on the way financial remuneration affects research publications in Denmark, Andersen and Pallesen (2008) find evidence in support of this theory. This result is attributed to the belief that the affected individual views an additional (extrinsic) reward as recognition of her intrinsic values.

Conclusion

There is considerable and growing interest in the concept of 'public service motivation', partly as a reaction to recent public sector reforms that are based on increased managerial control and financial incentives and partly as many see such reforms contributing to a decline in 'the public (ethic)' (Marquand, 2004). Rebuilding public sector motivation is viewed as a way to improve public service quality and volume without incurring the transaction/monitoring costs associated with 'higher powered' incentives such as performance-related pay. This growing evidence base has been bolstered by more than eighty public service motivation articles and conference papers published between 1995 and 2007 (Perry & Hondeghem 2008).

While theory and evidence suggests that PSM can play a key role in governing behaviour, policy initiatives designed to improve service quality and volumes relying on other forms of incentives appear to be more prevalent. If robust links between measurable psychological traits and high-scoring PSM types could be identified, our understanding of how extrinsic incentives relate to public service motivation improved, clear proxies for public service motivation established, or more direct links between initiatives designed to improve public service motivation and organisational performance could be documented, it may create a new space on policy agendas for the concept. Based on the trajectory of current research into public service motivation, some of these issues may be resolved in the not too distant future.

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