

Pay for Performance and Intrinsic Motivation Link Revisited: Understanding Expectancies of Public Employees



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Outline

- Research Question
- Literature review
- Theoretical Framework
- Hypothesis
- Data/Measurement
- Findings
- Implication/Conclusion

Research Question

- Performance has to be measured and a high performer has to be recognized.
- Public employees are more likely to be motivated by non-monetary rewards than monetary ones (Jurkiewicz, Massey, & Brown, 1998; Lee 2000; Roberts 2004), pay is still an important incentive to every employee in a public organization.
- Pay for performance may hurt employees' intrinsic motivation.
- *What factors mediate the negative relationship between pay for performance and intrinsic motivation?*

Pay for Performance vs. Intrinsic Motivations in the Public Sector

- **Mixed findings**

Business Literature: Individuals are motivated by getting compensated based on their level of performance, thereby enhancing the effectiveness of the public sector (Lee, 2000; Kensen & Murphy, 1990).

Public Service Motivation (PSM) literature: public employees with high levels of PSM were less interested in monetary values and more interested in nonmonetary values (Perry & Wise, 1990; Crewson, 1997; Bright 2005)

Pay for Performance vs. Intrinsic Motivations in the Public Sector

- Jurkiewicz, Massey, & Brown (1998): Public-Private Motivation comparison:
 - public employees: stable and secure future (1st)
 - high salary (5th)
 - Private employees: high salary (1st)

Organization-Wide Support Factors

- Creating innovative culture
(Holzer & Lee, 2004; Yang & Kassekert, 2010)
- Providing strategic communication and feedback
(Garnett, Marlowe, & Pandey, 2008; Yang & Kassekert, 2010)
- Providing resources (knowledge/skill, budget, and manpower) for improving performance on a continuing basis
(Holzer & Radin, 1987; Andrews & Boyne, 2010)
- Identifying and meeting training needs from employees (Van Wart 2004; Chevalier, 2007; Hugue & Vyas, 2008)
- Providing incentives to make people motivated and aligned with organizational goals
(Swiss, 2005; Berman, 2006)

Organization-Wide Support Factors

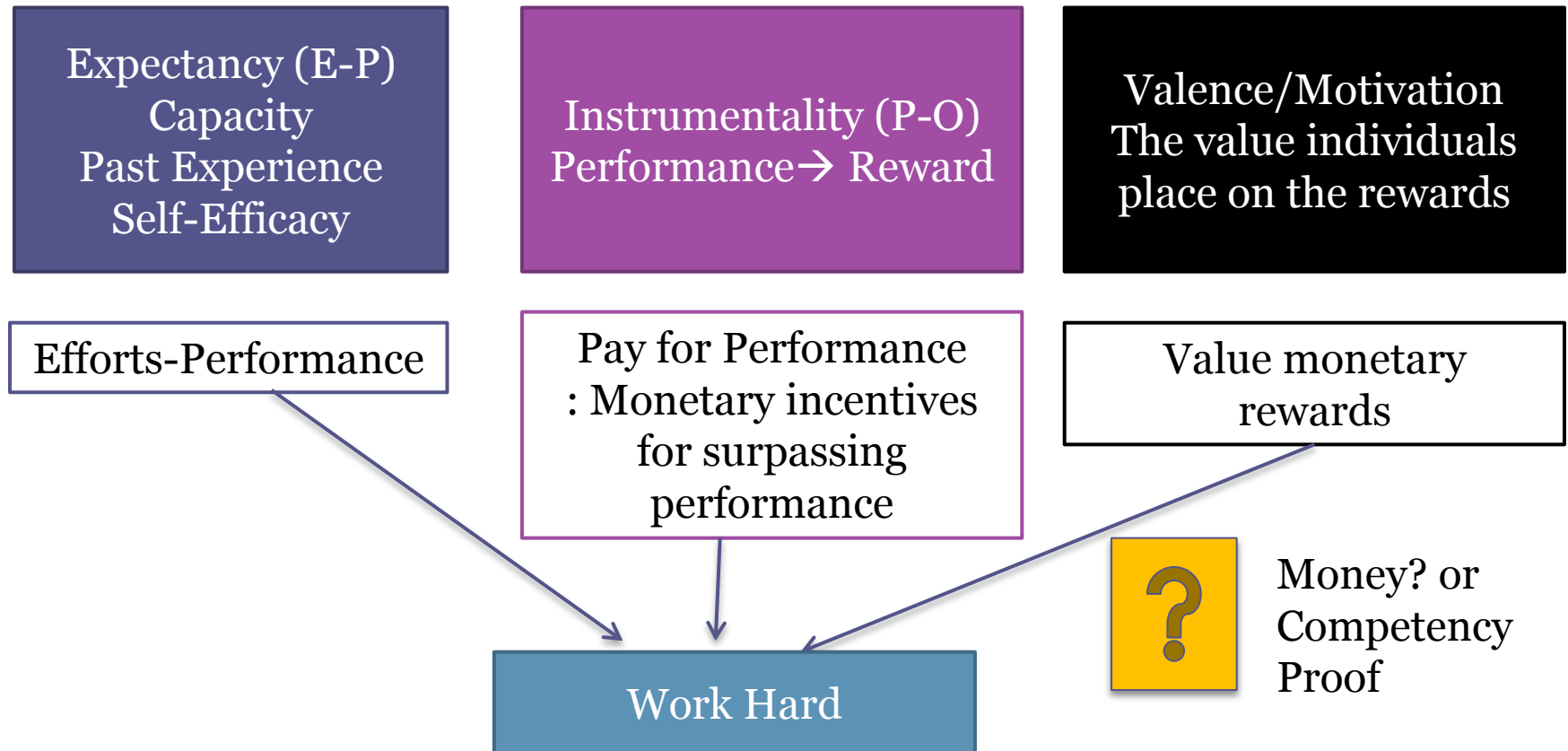
- Leadership credibility (Gabris and Ihrke, 2000)
- Trust in performance-rating system (Ingraham, 1993; Kellough and Selden, 1997)
- Resources (budget, time, etc.) for performance, payouts or even appraisal process (Ingraham, 1993)
- Fair and valid process or procedure (Greenberg, 1986; Kelley, 2008)
- Managerial capacity

Why this study matters?

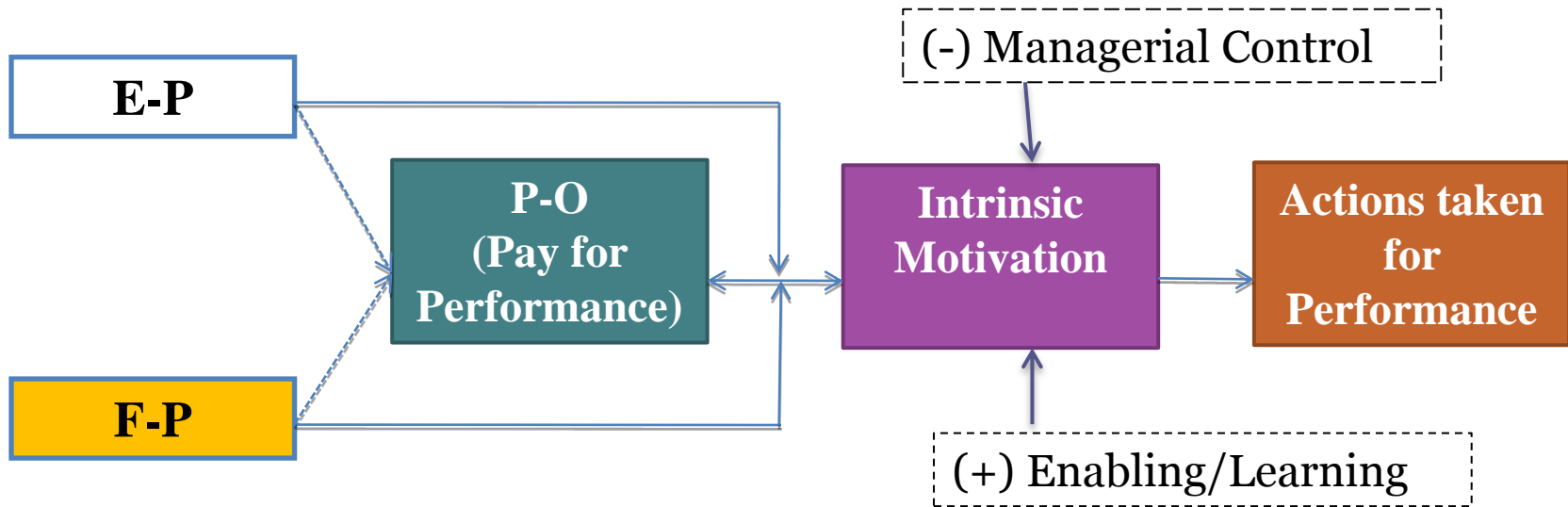
- Few empirical studies have examined **non-system based factors** such as leadership credibility, innovative culture and managerial capacity while some studies have examined **system-based factors** such as strategic communication and procedural justice.
- Some of these factors might not be compatible with intrinsic motivation when they are associated with pay for performance

Expectancy Theory

$$\text{Motivational Force} = \text{Expectancy} \times \text{Instrumentality} \times \text{Valence}$$



Pay for Performance and Expectancy Theory: Updating Theoretical Foundations



- Determinants of E-P (Effort to Performance) Expectancy:** Strategic Communications, Managerial Capacity, Training

- Determinants of P-P (Poor Performance to Proactive Intervention) Expectancy:** Innovative Culture, Trust in Leadership, Procedural Justice, Managerial Capacity

Hypothesis

- *Hypothesis 1:* Pay for performance will be negatively associated with intrinsic motivation.
- *Hypothesis 2:* Under the pay for performance environment, organization wide support factors for improving performance will be positively related to intrinsic motivation.
- *Hypothesis 3:* The negative relationship between pay for performance and intrinsic motivation will be moderated by organization wide support factors.
- *Hypothesis 3-1:* In particular, the negative relationship between pay for performance and intrinsic motivation will be more mitigated by F-P factors than E-P factors.
- *Hypothesis 3-2:* In particular, the negative relationship between pay for performance and intrinsic motivation will be more likely to be mitigated by non-system based factors than system based factors.
- *Hypothesis 3-3:* In particular, the negative relationship between pay for performance and intrinsic motivation will be more likely to be mitigated by trust in senior level leadership than trust in supervisory leadership.

Data & Measurement

- Data: 2008 OPM Federal Human Capital Survey data
- Dependent: Intrinsic motivation (job involvement/intrinsic motivation (JIM) scale)
- Independent: Pay for Performance
- Moderators: Training/Capacity/Strategic
Communication/Innovate Culture/Trust in Leadership
- Control: Workplace(Head/Field), Gender, Supervisor status)

Findings

| | JIM | | | | | |
|-------------------------------|---|----------|----------|----------|----------|----------|
| PBR | -0.04** | -0.04** | -0.04** | -0.04** | -0.04** | -0.04** |
| Capacity | 0.171** | 0.17** | 0.171** | 0.171** | 0.171** | 0.171** |
| Trust in Leadership | 0.181** | 0.179** | 0.18** | 0.18** | 0.18** | 0.18** |
| Innovative Culture | 0.403** | 0.403** | 0.403** | 0.403** | 0.403** | 0.403** |
| Strategic Communication | 0.008* | 0.008** | 0.008** | 0.008** | 0.008** | 0.008** |
| Procedural Justice | 0.008** | 0.008** | 0.008** | 0.008** | 0.009** | 0.008** |
| Training | 0.046* | 0.047** | 0.046** | 0.046** | 0.046** | 0.047** |
| Trust in Leadership * PBR | 0.004* | | | | | |
| Capacity * PBR | | -0.004* | | | | |
| Innovative Culture * PBR | | | 0.0001 | | | |
| Strategic Communication * PBR | | | | 0.0002 | | |
| Procedural Justice * PBR | | | | | 0.0032* | |
| Training * PBR | | | | | | 0.003 |
| workplace | -0.067** | -0.066** | -0.067** | -0.067** | -0.067** | -0.067** |
| gender | -0.036** | -0.036** | -0.036** | -0.036** | -0.036** | -0.036** |
| federal | 0 | 0 | 0 | 0 | 0 | 0 |
| Supervisor=1/Non-Supervisor=0 | 0.07** | 0.07** | 0.07** | 0.07** | 0.07** | 0.07** |
| Constant | 1.136** | 1.15** | 1.143** | 1.143** | 1.137** | 1.138** |
| Observations | 69138 | 69138 | 69138 | 69138 | 69138 | 69138 |
| R-squared | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| | * significant at 5%; ** significant at 1% | | | | | |
| | Robust t-statistics in parentheses | | | | | |

Mediators: Pay for Performance & Intrinsic Motivation

Trust in Leadership * PB (+) : 0.004

Capacity * PBR (-) :- 0.004

Innovative Culture * PBR (+) : 0.0001

Strategic Communication * PBR (+) : 0.0002

Procedural Justice * PBR (+): 0.0032

Training * PBR (+):0.003

Findings/Implication

- Trust in Leadership, Innovative Culture, Strategic Communication, Procedural Justice, and training can help mitigate negative effects of extrinsic rewards on intrinsic motivation.
- Those variables are also positively related with Employees' intrinsic Motivation.
- Limitation:
Secondary Data/M Measurement/Experiences in using performance – contingent rewards /Funds availability



Thanks!