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

Motivational Force = Expectancy × Instrumentality × Valence

- Expectancy (E-P)
  - Capacity
  - Past Experience
  - Self-Efficacy

- Instrumentality (P-O)
  - Performance → Reward

- Valence/Motivation
  - The value individuals place on the rewards

- Efforts-Performance
- Pay for Performance: Monetary incentives for surpassing performance

- Work Hard

- Value monetary rewards

- Money? or Competency Proof
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

<table>
<thead>
<tr>
<th></th>
<th>JIM</th>
</tr>
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<tbody>
<tr>
<td>PBR</td>
<td>-0.04** -0.04** -0.04** -0.04**</td>
</tr>
<tr>
<td>Capacity</td>
<td>0.171** 0.17** 0.171** 0.171**</td>
</tr>
<tr>
<td>Trust in Leadership</td>
<td>0.181** 0.179** 0.18** 0.18** 0.18**</td>
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<tr>
<td>Innovative Culture</td>
<td>0.403** 0.403** 0.403** 0.403** 0.403**</td>
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<tr>
<td>Strategic Communication</td>
<td>0.008* 0.008** 0.008** 0.008** 0.008** 0.008**</td>
</tr>
<tr>
<td>Procedural Justice</td>
<td>0.008** 0.008** 0.008** 0.008** 0.009** 0.008**</td>
</tr>
<tr>
<td>Training</td>
<td>0.046* 0.047** 0.046** 0.046** 0.046** 0.047**</td>
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<tr>
<td>Trust in Leadership * PBR</td>
<td>0.004*</td>
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<tr>
<td>Capacity * PBR</td>
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<tr>
<td>Innovative Culture * PBR</td>
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<tr>
<td>Strategic Communication * PBR</td>
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<td>Procedural Justice * PBR</td>
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<td>Training * PBR</td>
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<td>workplace</td>
<td>-0.067** -0.066** -0.067** -0.067** -0.067** -0.067**</td>
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<tr>
<td>gender</td>
<td>-0.036** -0.036** -0.036** -0.036** -0.036** -0.036**</td>
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<td>federal</td>
<td>0 0 0 0 0 0</td>
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<tr>
<td>Supervisor=1/Non-Supervisor=0</td>
<td>0.07** 0.07** 0.07** 0.07** 0.07** 0.07**</td>
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<tr>
<td>Constant</td>
<td>1.136** 1.15** 1.143** 1.143** 1.137** 1.138**</td>
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<td>Observations</td>
<td>69138 69138 69138 69138 69138 69138</td>
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<tr>
<td>R-squared</td>
<td>0.7 0.7 0.7 0.7 0.7 0.7</td>
</tr>
</tbody>
</table>

* 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/Measurement/Experiences in using performance – contingent rewards /Funds availability
Thanks!