

## Public service motivation and monetary incentives: Substitution or crowding?

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Motivation is probably one of the most important determinants for organizational performance, because it stimulates effort and effective behaviors among people in the organization (Rainey & Steinbauer, 1999). But what type of motivation should public managers rely on? New Public Management inspired reforms have emphasized the use of extrinsic motivators and have entailed a rapid spread of utilitarian incentives across public sector organizations. On the other hand, public service motivation (PSM) has been claimed to be a more reliable source of motivation in the delivery of public services. Thus, proponents of PSM have proposed that “[p]ublic organizations that attract members with high levels of public service motivation are likely to be less dependent on utilitarian incentives to manage individual performance effectively” (Perry & Wise, 1990: 371). If this proposition is correct, New Public Management reforms should be more widely implemented in organizations with low public service motivated employees. However, the few studies that have pursued this question empirically, have found differing results (Perry et. al., 2010). Generally, they have indicated that public employees are less oriented towards extrinsic and more to intrinsic measures than their private counterparts (Bright, 2009; Crewson, 1997), and this could mean that public service organizations are less dependent on utilitarian incentives directly. Nonetheless, no studies have tested whether PSM actually substitutes for incentives. Furthermore, when doing so, we cannot just compare levels of incentives and PSM across organizations. Studies have shown that incentives affect PSM through processes of motivation crowding (Jacobsen, 2010). Accordingly, PSM and incentives may be associated for two reasons: Either because higher PSM makes organizations less dependent on utilitarian incentives as proposed by PSM theory or because utilitarian incentives crowd out PSM. We therefore need to separate a study of PSM and utilitarian incentives into two different research questions: 1) Does PSM make organizations depend less on utilitarian incentives? 2) Do incentives affect PSM? These explanations are not necessarily rivaling, but will be temporarily separable. This study of PSM and the use of monetary incentives in the Danish public sector will help close the important gap in our knowledge on how PSM and utilitarian incentives are associated. Panel data on public service motivation and results based pay among almost 3,000 physiotherapists allows for a study of changes in both PSM and incentives. Thus, the study examines whether the relationship between public service motivation and monetary incentives can best be explained as substitution or motivation crowding.

### References

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