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MANAGEMENT | RESEARCH ARTICLE

Is merit pay changing ethos in public administration?

Renato Ruffini¹, Giuseppe Modarelli², Roberta Sferrazzo³ and Matteo Turri^{4*}

Abstract: This article aims to explore the changes in the organizational culture of public administrations following the implementation of performance-related pay—PRP systems. The work explores the switch to an explicit remuneration system through the implementation of incentives and focuses on the effects, positive or negative, this has had on the ethos of public administrations. Data from a survey carried out among private and public employees in a specific area of Southern Italy are used to analyze how the shift from an implicit to an explicit remuneration system has impacted the public servants' ethos. Due to the application of PRP, public servants are now expected to be compensated based on their performance. The ineffective management of incentives in public administrations affects the intrinsic motivation of public employees and may lead to moral disengagement. While the previous literature has focused on the practical challenges and limitations of PRP, less has been written about how PRP has changed the culture of public administrations. This article shows how PRP can change the traditional ethos of

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PUBLIC INTEREST STATEMENT

In recent decades, the public administration has been affected by various reforms that have necessarily led to organizational changes within it with the consequent need to rethink the approach to human resource management. In particular, the introduction of Legislative Decree 150/2009 has introduced, among other things, systematically the logic of performance management. This article aims to explore the changes in the organisational culture of public administrations following the implementation of performance-related pay—PRP systems. The study explores the transition to an explicit remuneration system through the implementation of incentives and focuses on the effects, positive or negative, that this has had on the ethos of public administration. This article shows how PRP can compromise the traditional ethos and values of public service without replacing them with more adequate and more current values.

public administrations' services based on the Weberian model of bureaucracy, replacing the latter with a new one.

Subjects: Public Administration & Management; Public Management; Human Resource Management

Keywords: performance-related pay; public administration; incentives; evaluation; organizational change

1. The evolution of public administrations and pay systems

As many scholars claim, New Public Management (NPM)—which finds its theoretical roots in institutional economics (Drew & Dollery, 2015; Luke, Kearins, & Verreynne, 2017)—has strongly affected reforms in public administrations since the end of the last century (Diefenbach, 2009; Hood, 1991; Pollitt, 2003, 2009). NPM has two main theoretical stances. The first consists of

a set of administrative reform doctrines based on the ideas of 'professional management' expertise as portable, paramount over technical expertise, requiring high discretionary power to achieve results ('free to manage') and central and indispensable to better organizational performance, through the development of appropriate cultures and the active measurement and adjustment of organizational outputs. (Hood, 1991)

The second is rooted in business and its connection to "contestability, user choice, transparency and close concentration on incentive structures" (Hood, 1991). Despite there being no univocal conceptualization of NPM (Dunleavy, Margetts, Tinkler, & Bastow, 2006), it can be said to propound a business approach to managing public administrations. In other words, it aims to make public administrations and their employees "much more 'business-like' and 'market-oriented', that is, performance-, cost-, efficiency- and audit-oriented" (Diefenbach, 2009). Performance is thus introduced into public administrations alongside planning and control systems, which implies a strong connection between work done, objectives reached, and remuneration.

PRP systems are one of the applications of the NPM theory in public administrations. PRP implies that the work of public employees must be evaluated and praise or penalty must be dealt out (Marsden & Richardson, 1994). Consequently, "salaries also become less uniform and less predictable" (Pollitt, 2009) through the introduction of financial incentives to improve performance in public administrations.

PRP is a watershed in the evolution of public administrations, as it radically transforms employment contracts, moving from implicit to explicit remuneration; for example, from remuneration based on seniority and one's role in the public administration to remuneration based on opportunistically verified objectives reached (Marsden, 1993). This is key to understanding the evolution of public administrations because it signifies a radical change in the "psychological contract" between public employee and public employer. The psychological contract is defined as "an individual's beliefs about the terms and conditions of a reciprocal exchange agreement between that person and another party" (Rousseau, 1998). Argyris (1960), Levinson, Price, Munden, Mandl, and Solley (1962), and Schein (1980) originally defined the psychological contract to characterize the subjective nature of an employment relationship. This shift marks a dramatic change in the role of public employees and in the core principle of public administrations that goes from being one of the efficacy (adopting policies) to one of the effectiveness (offering services). PRP is thus the key needed to shift from implicit to explicit remuneration.

PRP systems have been widely adopted by public administrations in the past 30 years (Roberts, 2010). In 2008, 80% of the Organisation for Economic Co-operation and Development (OECD) countries had already adopted PRP systems in public administrations (Lah & Perry, 2008). However, both NPM principles related to measuring and evaluating performance and the use of PRP have

been subject to criticism, especially since 2000. Cardona (2006) claims: “There is no conclusive empirical evidence that such an approach has effectively helped to improve motivation and performance within public service.” Consequently, if PRP aims to promote the motivation of public employees, perhaps “the single most important issue is not so much the amount of money involved but the way it is allocated via the appraisal system” (Marsden & Richardson, 1994).

The literature has shown that emphasis on results and incentives can lead to investing less time and money in the precise assessment of employee skills, or their level of expertise (Hood, 1991). In this way, the risk of setting inappropriate goals (Gailmard & Patty, 2007) and overlooking individual professional development becomes more likely and consequently affects motivation.

Several scholars now agree that “PRP systems have generally been unsuccessful” (Perry, Mesch, & Paarlberg, 2006) and identify the causes as both the practical difficulties of implementing evaluation systems in public administrations and the technical aspects of such implementation (OECD, 2005; Rexed, Moll, Manning, & Allainet, 2007). PRP systems can have side effects such as low productivity, decreased motivation, unnecessary work activities, and higher control costs. It is generally accepted that these effects are more easily found in the public rather than the private sector (Inauen, Rost, Frey, Homberg, & Osterloh, 2010), precisely because of the former’s peculiarities in terms of personnel and budget management.

Despite the criticism in the literature, PRP is still widely adopted (Hyndman & Ende, 2001) because of a general acceptance of the NPM-based logic claiming that more accountability equals better performance (Bellé, 2010; Dubmick, 2005).

In the past 25 years, the management literature on PRP in public administrations has mainly focused on the reasons behind the introduction of PRP and on the consistency of its application. Specifically, scholars have tried to establish whether it has been an effective tool for the implementation of new management strategies in the public sector, what kind of influence it has had on the motivation of public employees, how much it has contributed to making remuneration more equitable and flexible, and how it has led to organizational changes in public administrations. Less attention has been paid to whether the introduction of PRP has caused changes in the deep organizational culture of the public administration.

The present article positions itself within this gap in research and aims to establish whether the shift from implicit to explicit remuneration systems in public administrations through PRP systems has been accepted and implemented by public employees. The public ethos could be compromised if there is an inconsistency between the objective of the remuneration system and the daily operational leverages, in as much as people do not know the meaning of their work.

Following this reasoning, this paper aims to answer whether or not the Italian public administrations’ employees (working in ministries, schools, authorities, or local governments) have accepted explicit remuneration. In Italy, PRP has constituted the key aspect of public sector reforms—much more than in other countries—since 1992 (Ongaro & Valotti, 2008; Ruffini, 2000; Spano & Monfardini, 2018).

The article is structured as follows: First, PRP and its challenges are analyzed based on the notion of incentive; second, the evolution of PRP implementation in the past 30 years in Italy is presented. The case analyzes systematic PRP implementation as well as the several practical issues connected to it and allows for an overview of the changes and contradictions triggered in Italian public administrations.

2. Incentives in public administrations

The shift from implicit to explicit remuneration systems is key to the process of change and reform in public management. The change in remuneration is no mere management strategy but affects

an organization deeply, as it influences the principle of equality in employment relationships and the psychological contract between employer and employee. Incongruence between remuneration (i.e., how much is paid) and the features and culture of the organization (i.e., why a specific amount is paid) can cause opportunism and moral disengagement in employees who can no longer gauge the level of equality of the bonuses they receive.

An implicit remuneration system implies that the employee is paid in order to represent the institution, to pursue its goals, and to be loyal to it. Technically, this is recognized through different pay levels unconnected to productivity but connected to role and seniority. This is the model traditionally adopted by public administrations due to structural reasons, such as difficulties in monitoring performance, the need to protect institutional roles, and the bargaining power of public employees. An explicit remuneration system implies that employees are paid based on the services provided in relation to their roles and objectives, which are in turn usually connected to an organization's production goals.

Despite the diversity of the public and private sectors based on different institutional aims and the different structure of property rights (Alchian & Demsetz, 1972), public and private employment have become progressively more homogenous to achieve the improvement of efficiency levels in public administrations. This was necessary because of the quantitative and qualitative growth of public services, the financial crisis, and the ideologies that developed in the 1980s, especially that of NPM.

The key element in developing explicit remuneration is the notion of incentive, which must be the focus here. Incentives are offers that define a benefit or an extrinsic bonus, which is neither the natural consequence of an action nor a deserved reward but rather depends on fulfilling an intentionally designed request to alter the status quo, whereby an individual is led to make choices he or she would not make were the incentive not there (Grant, 2012). In other words, incentives are ways of modifying individual preference, leading to behavior that would not happen otherwise.

Incentives are a key concept in economics, especially in agency or principal-agent theory (Arellano-Gault, 2000; Jensen & Meckling, 1976; Kaboolian, 1998). The notion is based on the model of self-interested *homo oeconomicus*, which implies rational, selfish, and extrinsically motivated individuals. "As a consequence, human behaviour can be directed through the selective deployment of rewards or sanctions. Individuals will perform best when the incentive system links rewards as closely as possible to performance" (Weibel, Rost, & Osterloh, 2010). In practice, "cash compensation should be structured to provide big rewards for outstanding performance and meaningful penalties for poor performance" (Jensen & Murphy, 2010). This theory has proven valid in the private business sector (Lazear, 2000).

However, the same research has highlighted peculiarities in the public sector; for instance, the importance of prosocial motivation. The public sector thus provides evidence not only of the issue of self-interest but also that of public service motivation. Furthermore, the role of the manager and the independence of the professionals become ambiguous (Alchian & Demsetz, 1972; Bryer & Cooper, 2007; Burgess & Ratto, 2003; Doolin, 2002).

A system of incentives causes further issues in public administrations due to the importance of intrinsic motivation to public employees (Frey, Homberg, & Osterloh, 2013). Intrinsic motivation is typical, necessary, and frequent in public administrations (Cacioppe & Mock, 1984; Crewson, 1997; Frey, Homberg, & Osterloh, 2013), so much so that the gap between intrinsic and extrinsic motivation is often wide (Buelens & Van den Broeck, 2007; Houston, 2000; Perry, 1997).

Behavioral economics provide a wider array of sources for motivation and take into consideration intrinsic motivation based on the gratification derived from taking part in a project with no external incentives. In fact, the ideal intrinsic incentive lies in the work itself, which should be

gratifying to employees (Frey, Homberg, & Osterloh, 2013). This can be employment- or obligation-based. In the former case, intrinsic motivation is based on personal gratification gained from carrying out a specific task. Obligation-based intrinsic motivation refers to an activity where the objective is an appropriate action. When individuals are led by intrinsic motivation, following the rules is in their interest (Frey, Homberg, & Osterloh, 2013; Ryan & Deci, 2000), regardless of external incentives like extra remuneration. In particular, individuals are concerned with the well-being of the other parties involved, as it is in their interest to safeguard the community.

Under certain conditions, external incentives can inhibit intrinsic motivation and cause a crowding-out effect (Benabou & Tirole, 2003; Falk & Kosfeld, 2006; Frey, 1997; Frey & Osterloh, 2002; Lidenberg, 2001; Weibel, Rost, & Osterloh, 2007). It is precisely the “performance of intrinsically motivated tasks that is harmed by pay for performance” (Weibel et al., 2010). The effect is also conventionally called the corruption effect of extrinsic motivation (Deci, 1975; Deci & Flaste, 1995; Deci, Koestner, & Ryan, 1998).

The crowding-out effect happens when the following conditions are met: (1) The individual is intrinsically motivated before the crowding-out effect occurs; (2) The individual sees the reward as a means to control rather than support autonomous behavior; (3) The price effect (i.e., the reward) does not compensate for the decrease of intrinsic motivation. It is important to note that employee satisfaction depends on the principles of equality. Satisfaction comes from “the perceived relationship between what one expects of one’s job and what one perceives as being offered by the employer” (Locke, 1969).

While the effects of incentives on public employee motivation have been widely researched, less attention seems to have been paid to the moral consequences of incentives on the behavior of public employees. It is necessary to emphasize how incentives affect both intrinsic motivation and moral behavior in individuals. An example of this is the bad news effect (Bowless, 2016), which occurs when incentives are designed in the employer’s interest rather than the employee’s; for instance, lower remuneration in the case of repeated absence from work, or days off before or after holidays or weekends. The implied penalty in such incentives negatively affects the trust between the employer and employee, and if these incentives are to be effective, the employer must find ways of reassuring the employees. Research has shown that intrinsically motivated individuals will react negatively rather than try to maximize their productivity.

A second example is moral disengagement (Bandura, 1991; Bowless, 2016), which happens when individuals are given incentives and behavior instructions in order to reach objectives. This proves to “switch off” their ethics (Shu, Gino, & Bazerman, 2011), as the incentive-driven routine virtually obliterates their sense of guilt and moral code. This happens so cognitive dissonance can be avoided (Mero, Guidice, & Brownlee, 2007). Evidence shows a crowding-out effect here, too, especially in highly moral individuals who perceive incentives as an obligation or a constriction, which can affect them in terms of their social or religious convictions.

Lastly, employees feel less independent (Bowless, 2016; Grant, 2012) because a third party sets a specific goal for them and monitors the actions taken to achieve it. This is a further cause of the crowding-out effect undermining the employees’ sense of independence, affecting their proactivity, and leading them to make safe choices for which they feel little accountability (i.e., cherry-picking).

Therefore, in PRP systems, the issues of the amount of extra money an employee receives and the equal distribution of money in the workplace combine with the issues of which performances correspond to incentives and how the former affects the employees’ value systems and the relationships in the workplace. In this sense, incentives can have a significant impact on individual value systems.

The literature shows the structural features and peculiarities of the public sector make designing incentives more complex than in the private sector. The main difficulties are the highly volatile

economic and political contexts in which public administrations operate, as well as the possibility of managing public services in terms of objectives. Measuring performance is so complex as to require a constant renegotiation of the initial goals (Barbato, Salvadori, & Turri, 2018; Barbato & Turri, 2017; Rebor, Ruffini, & Turri, 2017). The so-called multitasking problem (Holmstrom & Milgrom, 1991) presents additional difficulties, as objectives appear to be structurally ambiguous. Financial incentives cause employees to “reduce their effort on tasks that produce unobservable outputs as they seek the salient reward to observable effort” (Al-Ubaydli & Lee, 2012).

Furthermore, in the public administration, the ability to pay is generally limited (compared to the private sector) and is usually low because fixed remuneration cannot be altered to favor variable remuneration (Ingraham, 1993; Kellough & Haoran, 1993; Moon, 2000). Combined with intrinsic motivation dynamics, this negatively affects motivation, especially regarding important and interesting tasks.

Another difficulty in adopting merit pay systems in the public administration is measuring results (Micheli & Mari, 2014). PRP requires exact measurement tools that promote the individual effort. Such measurements are particularly complex and multidimensional in the public administration. Extrinsically motivated individuals tend to focus on objectives that are easy to measure and reach or on elements that are not key to the evaluation of performance (Van Bockel & Noordegraaf, 2006). In other words,

if there is no way to measure what outputs are produced by the administrative action or if their identification is controversial, the key assumption on which the assessment of performance is based is lost, which inevitably paves the way to dysfunctions such as the measurement of partial or unrepresentative outputs. (Barbato et al., 2018)

This could also have a negative impact on motivation, as performance assessments and pay for performance are two of the most powerful motivational tools of any organization, according to Rynes, Gerhart, and Parks (2005). These tools are so powerful, managers must face the challenge of making sure their remuneration systems are not causing improper behavior. A particular vision is provided in the study by Speklé and Verbeeten (2014), who claim the way in which the performance measurement systems are used can affect organizational performance differently. The authors demonstrated how performance measurement systems improve performance through an incentive system when the level of contractibility of the organization (clear and measurable goals and knowledge of the transformation processes) is high.

The literature shows that incentives are a powerful yet difficult weapon to use in the public sector due to its structural characteristics. The effectiveness of incentives is neither expected nor guaranteed because of their potential side effects at a motivational and cultural level. Badly managed incentive systems can cause confusion regarding the psychological contract between employer and employee. In particular, employees can perceive ambiguity between remuneration for performing the requested task and their mission as public servants.

3. PRP in Italian public administrations

PRP has been applied in public administrations worldwide since the 1990s. In Italy, unions pushed for performance assessments connected to merit pay. This was introduced after the collective labor agreements regarding local administrations and health services in 1983.

Incentive systems were based on the logic of key performance indicators and management by objectives. Since then, the introduction of merit pay has become the cornerstone of governmental policies for the improvement of public administrations (ministries, regions, schools, local governments, and healthcare) through a similar legislation. Both political leadership and public opinion have supported these policies. To summarize, at the beginning of the 1990s, a series of external factors (Maastricht euro convergence criteria and a nationwide judicial investigation into political corruption in Italy, dubbed “Tangentopoli”) and scholarly and union debate brought about

a radical reform of public employment (Legislative Decree no. 29/1993), which virtually aligned public and private businesses (Capano, 2003).

The reform marked the shift from implicit to explicit remuneration by introducing a legal and contractual obligation to guarantee results (failing to do so could be the cause for dismissal). This caused a change in remuneration, which became based on job evaluations and performance assessments (Ruffini, 2000). Based on the reform, employment contracts introduced and extended (individual or collective) objective-related financial incentives and introduced individual assessment systems connected to variable remuneration.

In practice, such remuneration tools were misused at first and, in most cases, variable remuneration was dealt out indifferently. The reasons for this are complex and diverse, but they can be ascribed to the structural peculiarities of the incentive applications in public administrations previously analyzed.

Based on these early experiences, new laws and norms were introduced in collective labor agreements to differentiate performance assessments and variable remuneration. For example, *ad hoc* evaluation committees were created to guarantee the reliability of the managers' performance assessments, carry out individual performance reviews, avoid undifferentiated distribution of financial resources, implement distribution of resources based on highly selective criteria, introduce audits by governmental bodies, and introduce audits (and potential sanctions) by the Italian Court of Auditors, especially for HR managers. Despite this effort and some doubtless improvements, both the government and public opinion remain dissatisfied with PRP implementation in the public sector (Mussari & Ruggiero, 2010; Rebora et al., 2017).

In 2009, new reforms were introduced (Legislative Decree no. 150/09) to overcome operational difficulties in HR and, in particular, merit pay systems. To reach this goal, two actions were taken: first, limiting collective bargaining to empower managers; second, systematically introducing the logic of performance management as opposed to the previous emphasis on the final steps of the process, that is, evaluation and remuneration. The law imposed obligations and explicit sanctions. Furthermore, a national body was created (the National Committee for the Evaluation, Integrity, and Transparency of Public Administration) to guarantee the success of performance management systems by instructing local administrations and monitoring operations.

After a difficult start, public administrations fully implemented the new law and introduced structured performance management systems. At the same time, the global financial crisis pushed the Italian Government to freeze public salaries by freezing collective labor agreements. This has strongly inhibited the adoption of variable remuneration systems, though the implementation of these systems would have been easier had there been more financial resources available (Rebora et al., 2017). Collective bargaining resumed in 2016, and the government introduced further norms regarding variable remuneration, specifically collective incentives.

After many years of PRP implementation, the success of performance management systems and the equality of variable remuneration are still being questioned. However, employee behavior has started to change (Spano & Monfardini, 2018).

4. Methodology

Considering the policies regarding public employment in the past decades begs the question of whether the implementation of PRP is coherent with public employees' expectations. Due to the complexity of such a question, this article aims to identify possible trends and issues to pave the way for further research. This work explores the switch to an explicit remuneration system through the implementation of incentives and focuses on the effects, positive or negative, this has had on the ethos of public administrations.

To this end, the differences in the implementation of incentives between the public and the private sector have been understood as “sentinel events”; that is, events that allow for qualified answers to the research questions at hand. These have consequently been highlighted, and a comparison between the public and the private sector has been made.

In practice, a survey was carried out (Wolf, Joye, Smith, & Fu, 2016) through a multiple-choice questionnaire consisting of 1 to 5 scale questions (1 representing total disagreement; 5 representing full agreement). The questionnaire was answered by public and private employees in a specific area of Southern Italy; in particular, 18 local administrations and 11 businesses. The different fields of activity of public administrations and private businesses, the technical and contractual variables in the adoption of incentive systems, and the differences in managerial competencies have not been deemed relevant to the present analysis, which intends to provide a working evaluation of the acceptance of incentive systems and explicit retribution. Both the public administrations and private businesses selected count a different number of employees but have adopted a PRP system for more than 5 years.

The differences between the public and the private sector are thus the main focus. Organizational differences (i.e., size, management skills, field of activity) can help to ascertain whether homogeneity in accepting explicit remuneration has been achieved and what consequences it entails. The questionnaire contained seven statements, six of which were aimed at ascertaining the level of satisfaction with remuneration. The purpose of the last statement was to establish whether financial remuneration is deemed more desirable than non-financial recognition.

The results were processed in purely descriptive terms. The number of respondents was 747, including 481 public employees from different types of public bodies (the percentage of respondents was 45.23%) and 266 private employees (the percentage of respondents was 39.48%). The number of women respondents in the public sector was 342 (71%), and there were 80 (30%) in the private sector. The percentage is consistent with the average number of men and women in the organizations involved in the survey.

5. Findings

Table 1 and Figure 1 show the results of the survey. To make these clearer, answers 1 and 2 (I totally disagree and I partially disagree) and answers 4 and 5 (I mostly agree and I completely agree) have been presented together. The analysis of the results shows a strong polarization in the public rather than the private sector.

The first statement concerns fair compensation (low effort-reward imbalance). Almost all public employees (94.59%) completely disagreed with the statement stating they perceived a high effort-reward imbalance in their place of work. In the private sector, only 35.7% of respondents completely disagreed with the statement.

Responses to the second statement (equitable distribution of financial incentives) are consistent with the first. Of the public employees surveyed, 92.72% disagreed with the statement. In the private sector, only 42.48% of the respondents expressed discontent with the distribution of incentives.

The considerable difference in the responses between the public and private sectors is likely ascribable to the differences in how incentives are managed (positive-incentive value, assessment procedures, clear objectives, etc.) but can further be explained in connection with the practical implementation of remuneration systems in the workplace, that is, in connection with the organizational conditions in which respondents work.

Table 1. Results of the survey

Statement	% I disagree		% I do not know		% I agree	
	Public sector	Private business	Public sector	Private business	Public sector	Private business
I experience low effort-reward imbalance in my work (S1)	94,59	35,71	1,46	13,53	3,95	50,75
Financial incentives are equitably distributed based on the quantity and quality of the work done (S2)	92,72	42,48	3,12	21,43	4,16	36,09
Career paths are clearly defined in my organisation (S3)	88,77	36,84	5,61	18,8	5,61	44,36
Career advancement based on merit is possible in my organisation (S4)	87,53	37,59	6,03	21,05	6,44	41,35
I am happy with my career path (S5)	80,25	35,71	10,4	15,79	9,36	48,5
Performance-related financial incentives motivate me (S6)	11,23	19,92	21,21	16,54	67,57	63,53
Non-financial recognition motivates me (S7)	62,37	36,09	20,37	16,54	17,26	47,37

Statements 3, 4 and 5 focus on organizational elements:

- (1) Career paths are clearly defined in my organization.
- (2) Career advancement based on merit is possible in my organization.
- (3) I am happy with my career path.

Responses in the public sector tend to be negative here, too, while in the private sector they are more evenly distributed. In fact, only 36.84% of respondents in the private sector had a negative view of their professional path, and 44% had a positive view. In the public administration, 88.7% of the respondents had a negative view, and only 5.61% of the respondents were satisfied with their professional path.

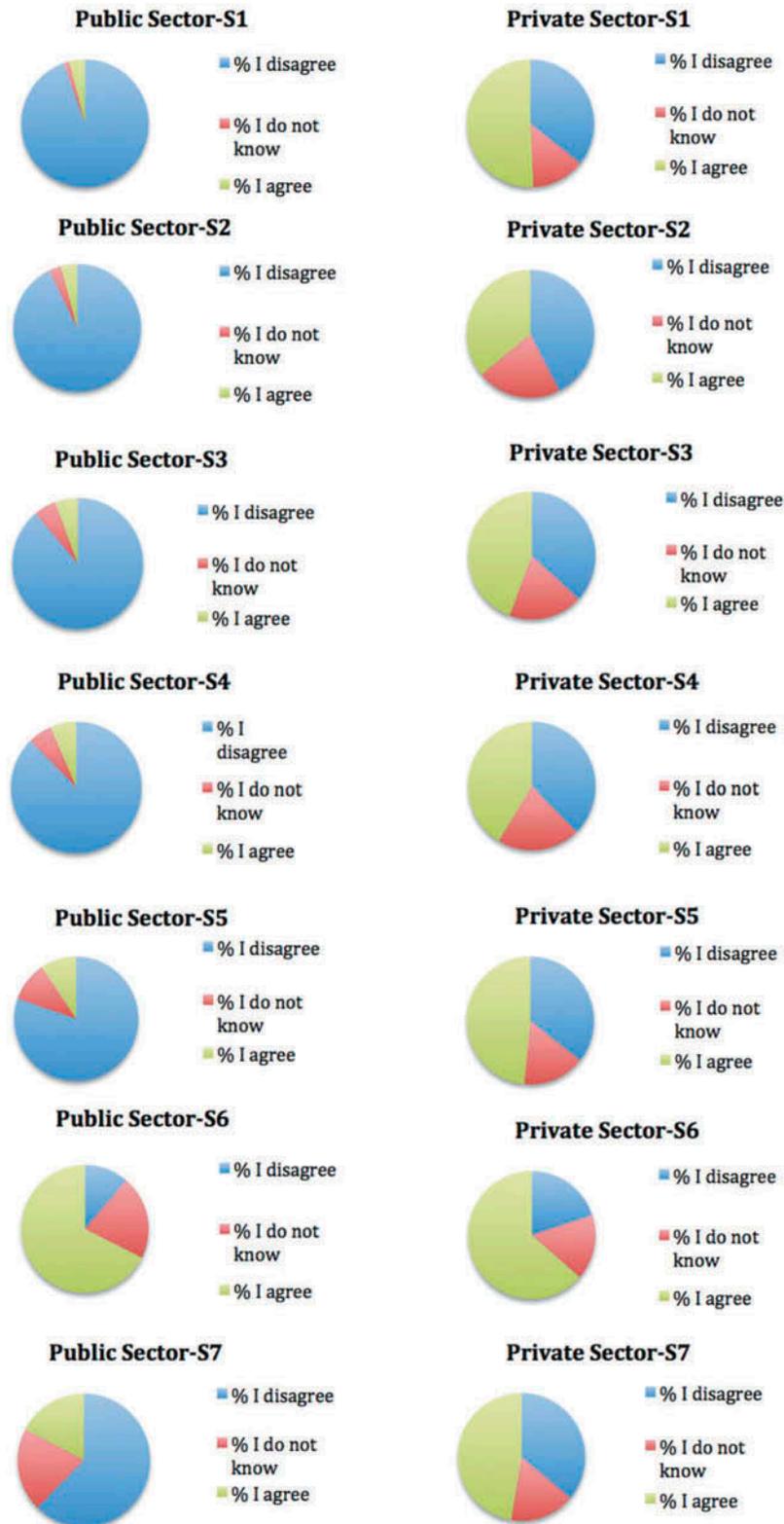
To summarize, the public administration shows a widespread conviction that merit pay systems tend to be unfair and professional paths are unclear and unequal. Such dissatisfaction with PRP might lead to the conclusion that the respondents prefer non-financial recognition.

In fact, this is not the case. When asked whether they are more motivated by performance-related remuneration systems, most public employees (67.57%) affirm they are. The percentage is similar in the private sector. The practical implementation of incentive systems in the public administration is cause for dissatisfaction, which explains the responses to the statement regarding motivation connected with non-financial recognition: only 17.26% of public employees agreed with the adoption of such forms of incentives—while 62.37% completely disagreed—compared to 47.37% of private employees who completely agreed and only 36.09% who disagreed.

Some survey results provide insight into the impact of merit pay in the public administration. Two elements are particularly relevant. The first is the remarkable difference in the responses between the private and public sectors. The second is the apparent contradiction between intense dissatisfaction with the implementation of merit pay and the conviction that incentives are a considerable source of motivation.

These two elements are worth considering further.

Figure 1. Results of the survey.



6. Discussion and conclusion

Despite the results of exploratory research, the data collected show a level of dissatisfaction with employment and management in the public administration (ministries, schools, authorities, and local governments), as opposed to the private sector.

The homogeneity of the responses indicates that negative opinions regarding PRP are shared across public administrations, not just some departments. The shift from implicit to explicit remuneration has changed the mentality of public servants, who fully embrace the notion of having to guarantee results and receiving incentives because of this. In this respect, public and private employees have a similar mindset. However, public administrations have been unable to respond to such change by implementing PRP effectively, to the point where public employees perceive incentives as inequitable and unclear.

Such a negative perception of performance assessments is an obvious indictment of PRP implementation in the public sector and goes hand in hand with low motivation levels and a difficult relationship with public administrations. PRP thus appears ineffective in terms of its self-appointed objectives. However, explicit remuneration is generally accepted, as the survey results indicate.

Increased awareness of merit pay and dissatisfaction with its management (PRP and career management) suggests the reason for the crowding out of public employees' intrinsic motivation in Italy related to PRP policies. This is clear example of the studies on the crowding-out effects conducted by several authors (Frey, Homberg, & Osterloh, 2013; Ryan & Deci, 2000).

Following more than 30 years of reforms, the consistent adoption of PRP tools has made it possible for the theories of NPM to be held as behavioral standards by public employees.

However, the dysfunctional nature of such systems—as much for their improper adoption as for the specific characteristics of public administrations—has generated a conflict between the traditional and the economic view of public administrations. Such unresolved conflict runs the risk of doing away with the traditional ethos and values of public service (protection of citizen rights, etc.) without replacing them with more adequate and more current values. As Derrek Lewis, the former Director General of HM Prison Service, said in 1995, the ethos of public service is at risk because many public employees feel they are not as valued as they should be. The second conflict is of a moral kind: an individual might feel conflicted, thereby accepting behavior otherwise unacceptable. Examples of such behavior are as follows: privileging the principle of efficiency over protecting rights and offering good services; other cherry-picking strategies, such as carrying out control and bureaucratic practices without worrying about the timing of service delivery, or maintaining the status quo without pursuing innovation.

Moreover, the contradiction between dissatisfaction with PRP and the claim that PRP is more motivating than non-financial recognition shows that a crowdingout of intrinsic motivation has occurred. This implies the risk of moral disengagement and the creation of individuals trying to maximize their utility. As highlighted in several studies, the moral disengagement phenomenon causes employees' ethics to “switch off” (Shu et al., 2011).

The consequences of PRP involve not only the fundamental problem of unethical behavior (Bellé & Cantarelli, 2017) but also the legitimization of this unethical behavior given by an ambiguous approach of explicit remuneration. This could both affect the public ethos and have a strong negative impact on the relationships within public administrations, undermining the main elements of collaboration in the workplace (trust, reciprocity, sharing a mission, etc.).

This study suggests the use of financial incentives in public administrations is a powerful tool, but this is precisely why it must be implemented very carefully.

These phenomena have been highlighted by many authors, such as Pollitt in 2003 and Diefenbach in 2009 or, in relation to the Italian case, Capano in 2003 and Rebora et al. in 2017. These facts are particularly marked in the presence of incentives and reward mechanisms (Speklé & Verbeeten, 2014; Van Bockel & Noordegraaf, 2006).

Our results can be considered part of the debate on the dysfunctional mechanisms of both private and public sectors. Many scholars already highlighted these mechanisms (e.g., Diefenbach, 2009; Pollitt, 2003), even in relation to the Italian case (Capano, 2003; Rebora et al., 2017). These dysfunctions occur especially in the presence of incentive and award systems (Speklé & Verbeeten, 2014; Van Bockel & Noordegraaf, 2006).

By positioning our study within this debate, we highlight how PRP logic and the consistent application of NPM have modified the perception of public service, and public servants are now expected to be compensated based on results.

The ineffective management of incentives in public administrations affects the intrinsic motivation of public employees and runs the risk of engendering moral disengagement. The idea of implementing merit pay and performance assessment procedures in the public administration has made public employees more like private employees, but the shift is incomplete.

PRP should thus be used more carefully, and incentives should not be the only strategy adopted for the development of public employees and organizations.

It is possible to identify some limits in this study. The main limit is the exploratory nature of the study, which does not present significant results. In fact, the analysis aimed to shed light—through our survey—on the incongruences of the Italian explicit remuneration systems. Another limit of the study comes from examining only the critical literature without considering other types of analyses, which, for example, stress the necessity of the incentive systems.

The data presented here require further analysis and further rigorous qualitative and quantitative research. More attention should be devoted to public management, especially in the light of progress in management skills and new technologies. In conclusion, public management requires studies and operational criteria that are consistent with its inner workings rather than attempts at adapting it to unsuitable managerial models.

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