

# People Management in the Public Sector

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## Introduction

It is the mission that makes management and strategy in public organizations different from profit-seeking organizations (Moore 1995, 2000; Rainey and Steinbauer 1999). In for-profit organizations strategy is aimed at financial targets based on a plan to compete in the chosen product and service markets. In public organizations, the mission is central to the strategy, meaning the public value that politicians have authorized the organization to provide for citizens and society at large. Thus, public organizations assess the value they produce in terms of the

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C. Brewster and J.-L. Cerdin (eds.), *HRM in Mission Driven Organizations*,  
[https://doi.org/10.1007/978-3-319-57583-4\\_2](https://doi.org/10.1007/978-3-319-57583-4_2)

accomplishment of their mission rather than in terms of the revenues they have earned.

This distinctive feature of public organizations seems to have been neglected since the 1980s when the new public management (NPM) movement propagated an emphasis on performance, efficiency, and effectiveness (Hood 1991). This is based on the idea that public organizations will perform better when business management practices are implemented. The public management reform practices adopted by many OECD countries included private sector HRM approaches (Pollitt and Bouckaert 2004). Over the past two decades, however, the concepts of public value and public service performance have directed the attention of scholars again to the distinctiveness of public organizations. In line with this approach, this chapter aims at analyzing the distinctiveness of people management in public sector organizations. Thus, rather than focusing on the question of the extent to which people management in public organizations is similar to people management in private organizations, this chapter will tease out the implications of the mission-driven character of public organizations for the management of human resources and public leadership, which together constitute people management.

Before we start discussing its distinctive characteristics, some clarification is required as to what constitutes the public sector. Public administration researchers have suggested the formal criteria of government ownership, funding, and political versus economic authority to demarcate public sector organizations (Rainey 2009). As far as general government is concerned, these distinctive criteria hold fairly well. However, when it comes to other public services such as education and health, these formal criteria do not suffice. For instance, the National Health Service in the UK is part of the public sector on the basis of the formal criteria mentioned, whereas in the Netherlands health care is provided by organizations that are legally private bodies with a public task. Recent theorizing (Moore 1995; Rainey 2009) suggests complementing the formal criteria with the criterion of public value, suggesting that it is not just public organizations that create public value for citizens but also non-profit and even private organizations. For the purposes of this

chapter, it is too complex to examine people management in the public sector covering the whole range of subsectors and the variety between countries regarding what is considered as public sector. Therefore, we will concentrate on general government, which is the most similar between countries. The recent [OECD](#) publication “*Government at a Glance 2013*” tells us that general government employment accounts for just under 16% of the total labor force in the 27 OECD countries. However, general government as a percentage of the labor force ranges widely, from 6% in South Korea to 30% in Norway in 2010. Generally, the Nordic countries (Norway, Sweden, Denmark, Finland) have above-average levels of government employment, while the Asian (Japan, Korea) and Latin American countries (Brazil, Chile, Mexico) have below average government employment levels. A fair number of OECD countries, particularly in Europe, including Austria, Denmark, France, Italy, The Netherlands, and the UK, report an anticipated decrease in public employment numbers as a result of austerity reforms. However, the OECD report expects that significant reductions in public employment are hard to sustain in the long run because citizens’ demands keep growing. Average government expenditures represented about 45% of GDP in 2011, which shows that governments outsource the production of public service to an important extent to non-profit and private organizations.

There is a relative lack of research on HRM in the public sector in developing countries. Rees ([2013](#)) recognizes that the core HRM activities such as recruitment and selection, training and development, and performance management are likely to be similar, but that the objectives, stakeholders, values, challenges, and constraints of public sector organizations in the developing countries are likely to be radically different. Noting the stark differences between developing countries, Rees ([2013](#)) observes that the political, social, economic, educational, health, and environmental problems in developing countries inevitably result in an inadequate delivery of public services, specifically because public sector organizations lack the human capacity to deliver these. This in turn is related to the sector elements of HRM in the public sector such as low salary levels, lack of effective performance standards, inability to fire

people and to attract appropriately trained people, and inadequate management by supervisors. Such ineffective HRM policies and practices need to be reformed if public services are to be improved. It is beyond the scope of this chapter to do justice to the contextual differences that should be taken into account and we acknowledge a bias toward advanced economies.

This chapter will be structured as follows. We begin by presenting insights from recent studies of the contribution of HRM to performance. These are directly relevant because it is argued that they present a model of the mechanisms through which people management can effect mission accomplishment or public service performance. The people management-performance model raises a number of issues for further analysis because these issues appear to be distinctive for public organizations. First, the concept of public value and public service performance will be examined. What does performance in the case of public organizations mean and how does the current economic and political environment affect public service performance? Second, one characteristic which is regarded as distinctive for public organizations is the constraint on the discretionary room which public managers experience, due to the influence of government control and political oversight. This raises the question of the extent to which managers are actually able to develop and implement HRM policies that influence employees and ultimately public service performance. Third, HRM-performance research has indicated that bundles of HRM practices aimed at influencing employees' abilities, motivation, and opportunities to perform (AMO model) are more effective in influencing performance outcomes than isolated HRM practices are. We will, therefore, examine the prevalence of these bundles in public organizations. Fourth, HRM studies generally point out that HRM contributes to organizational performance through the attitudes and behavior of employees. Here, we focus on two aspects that are distinctive in a public sector context: employees' public service motivation and red tape perceptions. The conclusion will summarize the main findings regarding people management in the public sector.

## Insights from HRM-Performance Studies

Before examining people management in the public sector, we present an overview of the general literature on the contribution of HRM to performance and the linking mechanisms. These conceptual and empirical insights are not specifically focused on HRM in a public sector context. In fact, private sector studies tend to dominate the HRM literature. In this section, we will present the conceptual framework, the HRM value chain, which underlies many studies on the contribution of HRM to performance and discusses three central concepts in HRM-performance research: vertical alignment, horizontal alignment, and implementation. Second, we will outline the most important conclusions of 30 years of empirical research on the relationship between HRM and performance.

Since the emergence of the academic field of HRM 30 years ago, the question of whether and to what extent HRM contributes to performance has been prominent on the research agenda. At first, most research efforts were aimed at demonstrating that an investment in HRM pays off in terms of, for instance, higher productivity, a high return on investment, and lower turnover. Over the years, research interests shifted to the question of *how* HRM contributes to performance. A theoretical model that captures the linking mechanisms is the HRM value chain (Purcell and Kinnie 2007; Wright and Nishii 2013). This model aims to explain differences in unit-level and organizational-level performance outcomes. The rationale of this model is that HRM as perceived by employees impacts on their attributes and behaviors and ultimately on firm performance. Jiang et al. (2012) distinguish between two theoretical logics: a social exchange perspective on the one hand and a resource-based perspective on the other. The former suggests that HRM impacts on performance through employees' attitudes and behaviors. This builds on social exchange theory (Settoon et al. 1996) and the notion of reciprocity. That is, by investing in employees through HRM the organization creates feelings of obligation, through which employees feel that they ought to reciprocate and engage in behavior that supports organizational goals. The resource-based perspective focuses on the

contribution of employees' competencies. The rationale is that human capital (knowledge, skills, and abilities of employees) is the main driver of performance (Lepak and Snell 1999).

In the HRM literature, it is acknowledged that the impact of HRM on performance is dependent on three dimensions: the extent of (a) vertical integration or alignment; (b) horizontal integration or alignment; and (c) effective action or implementation (Gratton and Truss 2003). Vertical alignment refers to the fit of the HRM strategy with the organization's aims and goals. The argument is that the HRM strategy can only have an effective impact if it "reflects, reinforces and supports" the organization's goals (Paauwe et al. 2013). If this is the case, the HRM strategy reflects the organization's objectives and employees will know what kinds of effort are expected of them. Horizontal alignment concerns the fit between the individual HRM policy areas (so-called HRM bundles). A good horizontal fit is achieved when the various HRM practices form a coherent and consistent set or system. Then, an organization is able to send a consistent message to employees about the expected behaviors (Bowen and Ostroff 2004). The third dimension (action or implementation) is added by Gratton and Truss (2003) because it is argued that optimal results will only be obtained when the designed policies are effectively implemented (Purcell and Hutchinson 2007; Wright and Nishii 2013), which brings line managers' responsibility for HRM implementation into focus (Knies and Leisink 2014a). Increasingly, HRM responsibilities tend to be assigned to line managers. However, there are significant differences in the assignment of HRM responsibilities between organizations in the Nordic economies, the coordinated, and liberal market economies. The level of devolution is also dependent on other institutional features such as size, unionization, and position of the HRM department (Brewster et al. 2014). Where line managers have responsibility for HRM implementation, they play a crucial role in shaping employees' perceptions of HRM. The concept of people management suggests that in addition to employees' perceptions of intended organizational HRM policies (Nishii et al. 2008), it is their supervisors' actual implementation of these policies and their leadership activities that shape employees' perceptions.

Since the mid-1990s many empirical studies on the relationship between HRM and performance have been conducted. A pioneering study in the field is the one by Huselid (1995). Based on data collected in 1000 organizations, he concluded that High-Performance Work Systems (a bundle of HRM practices aimed at improving performance) have a significant effect on the financial performance of organizations. In 1996, Becker and Gerhart (1996) also concluded that investment in HRM can result in long-term competitive advantage. Since these publications, many studies followed aimed at replicating these results. More recently, several meta-analyses have been conducted providing an overview of more than two decades of empirical work. Liu et al. (2007) performed a meta-analysis including data from more than 19,000 organizations. They concluded that HRM adds significant value for organizations. Furthermore, they found that the effects of HRM on performance are stronger “when human resource systems are emphasized rather than individual practices [i.e. horizontal alignment] and when human resource management decisions are tied to strategy [i.e. vertical alignment]” (Liu et al. 2007: 503). Combs et al. (2006) included 92 studies in their meta-analysis and concluded that there is a weak, but significant, correlation between HRM and performance. They also conclude that bundles of HRM practices have a stronger effect on performance than individual practices. An overview study by Boselie et al. (2005) shows that many, but not all, studies of HRM and performance reveal that the two are significantly related. This is in line with the conclusions of Paauwe (2009), who demonstrates that HRM practices are at least weakly related to performance. However, Wall and Wood (2005) are more critical about the state of research. They argue that it is too early to draw any conclusions about the nature of the relationship between HRM and performance, due to methodological limitations (cross-sectional data, common source bias, etc.). Jiang et al. (2012) conducted a meta-analysis including data from 31,263 organizations. They tested the validity of both the social exchange and the resource-based hypothesis for explaining the link between HRM and performance. They found support for both rationales. More specifically, they found that skill-enhancing, motivation-enhancing, and opportunity-enhancing HRM practices all contribute directly and indirectly to

financial outcomes. Significant mediating variables are human capital and employee motivation, which impact on employee behaviors (voluntary turnover and operational outcomes). These results point toward the importance of people management, as this is pivotal in achieving performance.

In the meta-analyses mentioned above, no distinction is made between data collected from public and private sector organizations. If there are any public sector organizations in the sample, the data collected is aggregated with data from other contexts. As noted before, studies on the relationship between HRM and performance in a public sector context are scarce (Knies et al. 2015). Initial findings do suggest that strategic HRM has positive effects on employee motivation and performance in the public sector (see, for example, Messersmith et al. 2011). However, research also shows that the public and private sectors differ in various respects. In the remainder of this chapter, we will analyze the distinctiveness of people management in public sector organizations.

## Public Value and Public Service Performance

Beer et al. (1984), one of the seminal conceptual works on strategic HRM, used a multistakeholder perspective and conceptualized performance outcomes differentiating between organizational effectiveness, employee's well-being, and societal well-being. However, HRM-performance studies concentrated mainly on organizational performance measured by using financial performance indicators (Boselie et al. 2005). These indicators reflect that the primary goal of private organizations, which are the object of most studies, is profit maximization or, its equivalent, maximizing stakeholder value (Grant 2002). Following criticism by European HRM scholars (Boselie 2014; Paauwe 2004) about the lack of a balanced approach to HRM outcomes, recent HRM studies (e.g., Van de Voorde et al. 2012) have included employee outcomes in addition to organizational outcomes.

Concentrating on public organizations, personnel policies have usually served the purpose of being a model employer (Bach and Kessler 2007)



and organizational goals were more or less absent as an intended HRM outcome. Under the influence of NPM, though, performance in terms of efficiency has become increasingly important for public sector organizations (Goldfinch and Wallis 2009; Pollitt and Bouckaert 2004). However, a HRM value chain modeled on the private sector goal of profit maximization will not fit the context of public organizations because these are typically characterized by multiple goals which are frequently ambiguous or even conflicting (Chun and Rainey 2005; Rainey 2009). Thus, a HRM value chain model for public organizations will have to start from the mission that public organizations have.

The organizational task, purpose, or mission was identified as distinguishing public and private organizations by Dahl and Lindblom (1953). Their insight was recognized by recent public value management studies (Alford and O'Flynn 2009; Benington and Moore 2011). Indeed, Moore (1995, 2000) views the organizational mission as the distinctive characteristic of a public sector strategy: "strategy development in the public sector begins with the mission of the enterprise [...] The mission of a non-profit or governmental organization defines the value that the organization intends to produce for its stakeholders and society at large" (Moore 2000: 189–190). Thus, the principal value delivered by government organizations, according to Moore (2000: 186), consists in "the achievement of the politically mandated mission of the organization and the fulfilment of the citizen aspirations that were more or less reflected in that mandate." Based on these ideas, Moore (1995) developed a sort of public value chain, which directs managerial attention to several elements: the value proposition that guides the organization and the question about whether sufficient know-how and capability are available in the organization to achieve the desired results. Seen from a HRM perspective, Moore deals with the principle of vertical integration, namely aligning organizational value creation with managers' need to mobilize the resources of the staff. Although Moore (2000: 199) observed that his public value creation model "challenges them [=managers] to lay out the logic chain that connects their activities to valued social results," he did not elaborate on the logic chain and the mechanisms linking managers' management activities and the mission performance.

The recognition that the HRM value chain for public organizations has to start from their mission raises two relevant concerns. First, how can this mission, involving multiple goals, be operationalized so that concrete public service goals can serve to orientate managerial action, if not performance management? Second, since a public organization's mission can involve multiple and even conflicting goals, what do the tensions between respective goals imply for management agency? These questions will be addressed next and in later sections.

The goal concept has complications generally, as Rainey (2009) observes, quoting Simon, because a goal is always one of a set of goals which often conflict with each other. This idea holds for organizations generally. Indeed, taking Boxall and Purcell's (2011) view on the goals of strategic HRM as an example, it is telling that they distinguish four types of goals (cost-effectiveness, organizational flexibility, social legitimacy, and managerial power) and emphasize that strategic tensions between them are a characteristic feature that management has to deal with. However, public management scholars (see an overview by Rainey 2009) regard public organizations as distinctive because of the multiple, vague, and ambiguous goals they have as a consequence of the conflicting views that politicians and the public opinion hold and that inform the compromise formulations of government organizations' missions. Rainey illustrates this view by examples of government organizations such as prisons which must punish offenders and rehabilitate them, and police chiefs who must find a balance between keeping the peace, enforcing the law, controlling crime, preventing crime, assuring fairness and respect for citizens' rights, and operating efficiently. These examples illustrate the variety of goals that specific public organizations have and lead to the question of how public service performance might be measured.

Organizational effectiveness, involving the extent to which organizations succeed in achieving their goals, has been suggested as a generic measure, involving criteria such as productivity, efficiency, flexibility, and adaptiveness. Boyne (2002) elaborated a multidimensional concept of public service performance, distinguishing between five conceptual categories, involving outputs, efficiency, service outcomes, responsiveness, and democratic outcomes. This multidimensional concept of

public service performance serves as a starting point for many studies (cf. Boyne et al. 2006; Walker et al. 2010). As a measure for assessing public service performance between various types of public organizations, this multidimensional concept seems useful. However, concerns exist as to its suitability to measure context-specific mission performance, noting that outputs and outcomes in a school differ from those in a municipality. For instance, in education opinions differ as to whether school outputs should be equated with students' scores in core cognitive fields such as language and mathematics, or whether these should also include soft skills' performance relating to citizenship competencies and twenty-first-century skills (Kennedy 2008). A general assessment of outputs or any other generic dimension of public service performance as such would seem in need of a complementary measure of mission accomplishment that is specific for the type of public organization, such as a school or a municipality, in order to capture the full extent of public service performance.

Differentiating between several distinctive dimensions of public service performance would result analytically in distinct HRM value chains for each public service performance dimension. For each particular goal, managers would need to align their HRM activities with the performance targets they intend to achieve. This idea of multiple HRM value chains for respective public service performance targets is similar to Boxall and Purcell's (2011: 333) recognition of multiple bottom lines in HRM. Criticizing Kaplan and Norton's choice to include social legitimacy in their balanced score card but treating this as a means to the end of shareholder value, Boxall and Purcell advocate seeing social legitimacy as an end in itself and designing a HRM strategy that simultaneously serves the major strategic goals of cost-effectiveness and social legitimacy. Similarly, public managers will need to consider the public service performance targets (such as good, accessible, and efficient education) and design a HRM strategy to achieve each of these. As Boxall and Purcell (2011: 335) observe, this implies that there will be tensions in the organization's HRM strategy. In the case of profit organizations, this requires that management has to engage in a balancing of economic drivers with the ethical responsibility of the firm. In public organizations, the balancing of various performance dimensions may be equal

to this, as the example of the trade-off between quality of education and organizational efficiency illustrates. However, the job for management would be more complex in public organizations because of the constraints of their managerial power. The authorizing environment tends to interfere in what, following Moore (1995), might be regarded as the managerial responsibility concerning the deployment of organizational resources for the achievement of desired results, beyond the point of the authorizing environment's right to decide on the organizational mission and the available operational resources. In sum, public managers' efforts are not just more complex in respect of the requirement to mobilize and sustain political support and legitimacy for their enterprise, but they also need to ensure the value chain that connects their activities to valued social results (Moore 2000: 199).

In democratic societies, it is the authorizing environment, notably elected politicians, who decide the public value which public organizations have to create. Changes in public opinion which will be reflected in political elections may thus have a direct impact on organizational goals, albeit dependent on the institutional system (Pollitt and Bouckaert 2004). With the widespread influence of NPM, the question emerged as to whether a convergence could be expected of the values that dominate decision-making in the goals of public organizations. While it is clear that the NPM movement has resulted in a prioritization of efficiency and service quality goals, it is also clear that nation-states follow their own paths (Goldfinch and Wallis 2009; Pollitt 2013). The debate about potential convergence of public sector policies has emerged again with the impact of the fiscal and economic crisis, compounded by the demographic and ecological challenges that many Western governments face (Lodge and Hood 2012). The austerity policies decided on by many governments have severely impacted public services to citizens as well as employment relations (Vaughan-Whitehead 2013). Efficiency is a dominant performance measure again, but public service quality has priority as well, albeit within tight budgetary constraints. In many countries, welfare state services suffered from cutbacks affecting the quality and accessibility of services to citizens. Austerity has also affected employment and wages of government employees, resulting in job loss and wage freezes, or even substantial

cuts in wages, in many countries. However, again there are significant differences between countries' austerity policies and the public sector reform policies they pursue (Leisink and Bach 2014). These twin effects of ongoing government austerity policies demonstrate that for public organizations organizational outcomes (including efficiency), client and societal outcomes (such as service quality and accessibility), and employee outcomes are closely related. They point to the continued relevance of Beer et al.'s (1984) stakeholder approach to conceptualize performance outcomes (Beer et al. 2015).

## Constraints on Discretionary Room

In the section on HRM and performance, we discussed the fact that the impact of people management on the intended performance outcomes is dependent on the vertical and horizontal alignment of the HRM strategy and on its implementation (Gratton and Truss 2003). An implicit assumption underlying this notion is that managers have discretion in designing HRM policies, so that they can align these with the intended performance outcomes (vertical alignment) and that the HRM practices form a coherent bundle (horizontal alignment). Research has shown that managers who experience more discretionary room in implementing HRM policies undertake more people management activities (Knies and Leisink 2014b). This points to the importance of sufficient discretionary room for managers in designing and implementing HRM policies in order to have a meaningful impact on employees and ultimately on performance. In this section, we will explore the constraints on the discretionary room which public managers are known to experience, due to the influence of government control and political oversight (Rainey 2009; Truss 2013).

According to Hambrick and Finkelstein (1987), the degree of managerial discretion, i.e., the influence that managers can have on organizational outcomes, is dependent on the characteristics of an organization's environment, characteristics of the organization, and characteristics of the manager himself/herself. Hambrick and Abrahamson (1995) focus on the former two characteristics when empirically investigating the

extent of managerial discretion in several sectors. They distinguish the following determinants of managerial discretion: product differentiability, market growth, industry structure, demand instability, quasi-legal constraints, powerful outside forces, and capital intensity. Most of these factors are characteristic for private sector organizations, but quasi-legal constraints and powerful outside forces may also apply to public organizations. In the empirical part of their study, Hambrick and Abrahamson found that computer programming organizations are on the high end of the spectrum, meaning that these organizations have relatively high levels of managerial discretion. Organizations that produce petroleum and natural gas are at the low end of the scale, indicating that managers in these organizations experience more constraints. Although Hambrick and Abrahamson did not include public organizations in their study, the fact that organizations that produce common goods are on the low end of the spectrum may indicate that public organizations will be as well. Indeed, Nutt and Backoff (1995) concluded that strategic behavior through which managers influence desired outcomes is rare in the public sector, although it is not completely impossible. This is the result of the combination of “complex policy and programmatic challenges, highly politicized institutional environments, and rule-bound administrative systems [which] limited the managerial discretion necessary to develop and execute strategy” (in: Brown 2010: s212). Several other authors (Boyne et al. 1999; Rainey 2009; Truss 2008) also argue that the public sector is known for its constraints on managerial discretion due to the strength of government directives, detailed personnel policy regulations, and the heritage of traditional administrative HRM roles. However, in a recent essay, Brown (2010) argued that although the public sector is still characterized by structural conditions, the environment of public organizations has changed in the sense that more information is available for public managers through performance measures and balanced scorecards. He claims that public sector reforms have created the conditions for public managers to display strategic behavior governed by information.

Although there might be a trend toward more managerial discretion as put forward by Brown (2010), the constraints on managerial autonomy in the public sector as described still apply to public managers.

However, there are differences between subsectors within the public sector. Antonsen and Beck Jorgensen (1997) found that public organizations differ in their degree of “publicness,” that is, the degree to which they recognize various public values as an element of being part of the public sector, and that this difference in publicness has a relevance for managerial discretion. Those public organizations which Antonsen and Beck Jorgensen classify as having high publicness, such as universities, are confronted with determined efforts by ministries to control them. In response to this type of external control, and also as a way of coping with it, senior managers of high publicness organizations tend to impose internal hierarchical control. As a consequence, managers in high publicness organizations are subject to more constraints than managers in low publicness organizations (such as postal services). Thus, there are relevant differences among public organizations, at least in the situation pertaining to Denmark in the 1990s. This resonates with the claim by Crossland and Hambrick (2011) who state that the level of institutionalization is inversely associated with the degree of managerial autonomy/discretionary room. High publicness organizations operate in highly institutionalized context, and therefore managers experience more constraints on managerial discretion.

O’Toole and Meier (2014) recently put the issue of context on the public management agenda. They argue that we should look beyond differences between public subsectors and that we should delve deeper into contextual characteristics that can explain management’s impact on performance. In their paper, they seek to develop a general theory that specifies how context influences the management–performance relationship. They distinguish between the internal and the external (political and general environment) context. They define context as “the situational opportunities and constraints that affect the occurrence and meaning of organizational behavior as well as functional relationships between variables” (Johns 2006 in O’Toole and Meier 2014: 2). The main argument is that the more complex the context is, the more constraints for managers are created, and as a result, the impact that management has on performance decreases. Their rationale is that: “in more complicated external settings, we expect public managers to have to expend more effort than in simple, ordered, and placid settings to

assist in generating or protecting performance. Doing so should mean that ... managerial effort may be less productive overall than when the settings are quiet and orderly—because of the heavy lifting required in the former” (O’Toole and Meier 2014: 6). In the remainder of their paper, they develop two sets of hypotheses that specify which external and internal contextual factors impact on the management–performance relationship. These hypotheses provide a research agenda for the years to come. Examples of factors in external context are politics and the concentration of power, complexity, turbulence, and munificence. Internal factors that Meier and O’Toole and Meier expect to impact on the management–performance relationship are organizational goals (goal ambiguity and goal conflict), centralization, and professionalization. Goal ambiguity and goal conflict are of particular importance in light of the former section. O’Toole and Meier argue that public managers are faced with multiple and sometimes conflicting goals, which may result in goal conflict and goal displacement. Dealing with these issues makes the task of management more difficult and may therefore result in a weaker contribution to performance. Another relevant internal factor is the organizational level at which the organization vests the most discretion. O’Toole and Meier (2014) hypothesize that the relationship between management and performance is strongest at those levels where managers have the most discretion. They particularize this statement by saying that the selection of individuals who will carry out the goals of the organization (an important HRM practice) is one of the key decisions and that the actor that has the power to select new employees will have a stronger impact on performance. This underlines the point that managers should not only have discretionary room in the design of HRM policies, but also in its implementation.

## Bundles of HRM Practices in the Public Sector

The interest in bundles of HRM practices is based on the idea that when various HRM practices form a coherent and consistent set or system, they will have a stronger impact on performance than individual HRM practices have (Gratton and Truss 2003). High-performance



work systems (HPWS) are assumed to contribute to organizational competitiveness, innovativeness, and flexibility. Clearly these outcomes refer to profit organizations and early studies of HPWS concentrated on profit organizations in the manufacturing industry (Appelbaum et al. 2000; MacDuffie 1995). However, there are now also some studies of HPWS in public sector organizations.

An interesting study was conducted by Kalleberg et al. (2006) because it examined profit, non-profit, and public organizations in the USA. Kalleberg et al. argued that public organizations might be less interested in improving performance through adopting HPWS because they do not have the pressure of market competition, but that NPM strengthened performance concerns. They assumed that public organizations were likely to adopt some HPWS practices more than others because they would fit their mission better. Specifically, Kalleberg et al. (2006: 275–276) assumed that public organizations would make less use of HPWS practices such as gain-sharing and profit-sharing plans intended to motivate employees' performance, because public organizations define the value they produce in terms of their mission rather than in terms of financial performance. They also assumed that public organizations would make more use of teams, offline committees, and multiskilling practices which relate to the abilities of employees and their opportunity to participate meaningfully in decisions, because these practices are compatible with the humanistic goals that public organizations hold. Their findings provided general support for their assumptions. So consistent with the traditional view of public personnel policies as inspired by the goal of being a model employer, public organizations make more use of HPWS practices that offer the opportunity to participate in decision-making than profit organizations do, and are less likely to use output-related incentive compensation practices such as gain sharing, profit sharing, and bonuses (Kalleberg et al. 2006: 293).

A British study comparing HRM practices in public and private organizations (Boyne et al. 1999) provided similar results: HRM practices aimed at employee's well-being, such as training and employee participation, were more prevalent in public than in private organizations while HRM practices aimed at increasing organizational flexibility and financial performance were less prevalent in public organizations.

The studies by Kalleberg et al. (2006) and Boyne et al. (1999) provide information about the prevalence of bundles of HRM practices.

A number of other studies provide insight into the extent to which the use of bundles of HRM practices by public organizations contributes to public service performance. Looking at organizational outcomes, studies of bundles of HRM practices show a positive effect. An early study by Gould-Williams (2003) of the importance of HRM practices in achieving superior performance in UK local government showed that HRM practices had a direct positive effect on organizational performance, and an even stronger indirect effect through employees' systems trust and interpersonal trust. As in the study by Kalleberg et al. (2006), HRM practices adopted by UK local government consist particularly of team working practices and promotion from within, whereas performance-related pay practices are almost absent. Organizational performance was measured as self-reported perceptions of service efficiency, value for money, and service quality. Interestingly, Gould-Williams also found that HRM practices have a positive effect on employees' job satisfaction. So, this study shows that bundles of HRM practices have a positive relationship with both organizational and employee outcomes.

While Gould-Williams (2003) used self-reported data on organizational performance, Messersmith et al. (2011) used administrative data on departmental performance of Welsh public sector organizations and showed that HPWSs have a positive effect on departmental performance. This positive effect consists of a direct effect of HPWS on departmental performance as well as of an indirect effect of HPWS on employee job satisfaction, organizational commitment, and employee empowerment, which in turn contributes to employee citizenship behaviors and ultimately performance.

A study of Dutch public sector employees (mostly in government and education) by Vermeeren (2014) examined the effect of bundles of HRM practices on organizational performance measured as efficiency, effectiveness, and fairness. Bundles of HRM practices were conceptualized on the basis of the AMO framework, differentiating between ability-enhancing practices, motivation-enhancing practices, and opportunity-enhancing practices. As in earlier studies, she showed

that bundles of ability-enhancing practices (training and development, selection) were adopted most whereas motivation-enhancing practices, consisting of performance appraisal and financial rewards, were adopted least. In this study, job satisfaction was included as a mediating variable in the relationship between HRM practices and organizational outcomes. Vermeeren (2014) showed that bundles of ability-enhancing HRM practices have a direct and indirect effect on all three organizational performance measures, while opportunity-enhancing HRM practices have an indirect effect on all three performance outcomes and a direct effect on efficiency and fairness. Finally, Vermeeren also showed that ability- and opportunity-enhancing HRM practices are more positively related to organizational performance outcomes than motivation-enhancing practices are.

Turning to employee outcomes, a number of recent studies of public sector employees have provided evidence that HPWS or bundles of HRM practices are positively related to employee outcomes, notably job satisfaction. Gould-Williams and Mohamed (2010) found that bundles of training and communication practices affected job satisfaction of local government employees in England and Malaysia positively. A study by Gould-Williams et al. (2014) of local government employees in Wales found that HRM practices are positively related to job satisfaction. This study found that employees' civic duty, a dimension of public service motivation referring to employees' commitment to serving the public interest, partially mediated the positive relation between bundles of HRM practices and job satisfaction. Mostafa and Gould-Williams (2014) show that HPWSs are positively related to job satisfaction of professional employees in the Egyptian health and higher education sectors. They also demonstrate that this relationship is partially mediated by person-organization fit, meaning that HPWSs contribute to employees' job satisfaction partially through facilitating a greater fit between employees' and organizational values and goals.

Some of the studies we discussed (Messersmith et al. 2011; Vermeeren 2014) do not model job satisfaction and other employee outcome variables such as organizational commitment as dependent variable reflecting employee outcomes as goals in themselves, but as mediating variables in the HPWS-organizational outcomes chain.

This approach runs the risk of instrumentalizing employee outcomes. The issue is not whether employee outcomes such as job satisfaction are positively related to organizational performance, but whether public organizations pursue a balanced approach in which outcomes for various stakeholders are regarded as important. A balanced approach would support an interest in achieving employee outcomes as a result of bundles of HRM practices by itself, irrespective of whether these employee outcomes in turn contribute to organizational outcomes.

The evidence appears to indicate clearly that bundles of HRM practices benefit organizational outcomes (efficiency, effectiveness), employee's well-being (job satisfaction), as well as societal outcomes (value for money, fairness). It is also evident that the concept of HPWS must be contextualized: in public organizations, the concept of HPWS refers mainly to bundles of ability- and opportunity-enhancing practices while motivation-enhancing practices based on financial incentives are little in use. This is an interesting result: public organizations adopt bundles of HRM practices that fit with what Kalleberg et al. (2006: 276) regard as the humanistic goals which match the mission of public organizations.

## **Distinctive Characteristics: Public Service Motivation and Red Tape**

HRM studies generally point out that HRM contributes to organizational performance through the attitudes and behaviors of employees. Here, we focus on two aspects that are distinctive in a public sector context: employees' public service motivation, which studies have linked positively to public service performance; and employees' red tape perceptions, which has been found to relate negatively to public service performance.

Public service motivation (PSM) is an individual's orientation to delivering services to people with the purpose of doing good for others and for society (Perry and Hondeghem 2008: vii). Public service motivated people can fulfill these motives by seeking employment in public

sector organizations. Initially, Perry and Wise (1990) tended to equate public service motivation with the values prevalent in the public sector but although public sector employees score higher on PSM than private sector employees, it is now accepted that public service motivated people can also fulfill their motives by performing meaningful public service as non-profit workers or as private citizens performing voluntary community service (Brewer 2013). Nevertheless, PSM has been regarded as a resource for public organizations to enhance performance (Perry and Wise 1990). Public service motivated employees are expected to be willing to exert themselves at work because they identify with the organizational values and the purpose of the work, and therefore, put in more effort and provide better service (Brewer 2008). Empirical studies have provided support for the proposition that public service motivated employees contribute to job and organizational performance (Andersen et al. 2014; Bellé 2013; Kim 2005; Leisink and Steijn 2009; Vandenabeele 2009). However, there were also some studies that failed to find support for the proposed relationship between PSM and performance or that provided mixed findings (Alonso and Lewis 2001; Petrovsky and Ritz 2014). One reason for these mixed findings is presumably that most studies use overall performance measures, whereas it is likely, as Brewer (2010) argues, that PSM may not be related to efficiency but may be positively to service quality.

PSM is related positively not only to organizational outcomes but also to employee outcomes notably job satisfaction (e.g., Kim 2005; Vandenabeele 2009) and employee commitment (Castaing 2006; Mostafa et al. 2015). However, there are also studies that show that PSM can have a negative impact on employee outcomes. Giauque et al. (2012) demonstrated that PSM was related to work stress and resigned satisfaction, meaning that employees no longer cared for their work. Van Loon et al.'s (2015) study showed that PSM is positively related to job satisfaction but can also lead to increased risk of burnout depending on the institutional context. Specifically, Van Loon et al. (2015) found that employees in people-changing organizations such as schools and care organizations, which focus on intensive personal interactions with clients, run higher risks of burnout when their job provides ample

opportunity to do good for others and society. Thus, if their job provides many opportunities to do good, public service motivated care workers may be driven to do too much and overreach their mental and physical resources, resulting in a higher risk of burnout. On the other hand, employees in people-processing organizations such as the police and municipalities who are highly motivated to serve society but whose job does not provide them with the opportunity to do so become frustrated and disappointed with their work, resulting in higher burn-out.

In turn, the effects of PSM on organizational and employee outcomes are related to the way in which people management in public organizations fosters PSM. Given the nature of PSM, comprising rational, affective, and normative motives, it is not surprising that transformational leadership has been connected to PSM. Paarlberg and Lavigna (2010) argue that transformational leaders' appeal to higher level ideals and moral values, their ability to communicate a vision that arouses strong emotions, and their role model behavior, create shared organizational values and align employee's and organizational values and goals. Transformational leaders influence their employees' PSM in a variety of ways such as through selection and socialization practices, which introduce new employees to the critical organizational values, through setting meaningful goals at work that are connected to the mission of the organization, and through empowering employees. Empirical support for these ideas is provided by Moynihan et al. (2012), Park and Rainey (2008), and Vandenabeele (2014). The study by Park and Rainey (2008) is of particular interest because it demonstrates that employees who see their leader as expressing transformational leadership are more public service motivated, perceived higher productivity and quality in the work they performed, and are more satisfied with their job. A study of HPWSs by Mostafa et al. (2015) demonstrates the impact of these HRM practices on employees' affective commitment as mediated by PSM.

The concept of red tape refers to rules that entail a compliance burden but lack efficacy for the rules' functional object (Bozeman 1993). Several authors (Brewer and Walker 2010a; Pandey and Moynihan 2006) observe that a negative effect of red tape on organizational performance is based on the general idea that burdensome rules force employees to spend time on excessive paperwork that serves no purpose

and reduces performance. Consequently, freeing organizations from burdensome rules and providing them with flexibility would enhance performance. Pandey and Moynihan (2006) provide empirical evidence for the negative effect of red tape on organizational effectiveness and service quality in US human service organizations. Brewer and Walker (2010a, b) find that red tape is negatively associated with performance but argue that studies of red tape's effect on performance should take a differentiated conceptualization of both red tape and public service performance by demonstrating that different types of red tape have varying effects on different dimensions of public service performance. Specifically, Brewer and Walker (2010b) find that internal red tape, which refers to bureaucratic rules and routines that negatively affect the internal operation of a public agency, is significantly negatively related to service quality and has non-significant effects on efficiency.

Red tape's impact on organizational performance is related to management strategy and organization culture (Brewer and Walker 2010b; Pandey and Moynihan 2006). Moynihan et al. (2012) study the effect of transformational leadership and argue that this can change how employees perceive red tape. Specifically, they propose that the emphasis that transformational leaders place on communication, innovation, and mission outcomes are likely to create an environment in which employees are less sensitive to rules that are classified as red tape. A study of agency heads in US local government provides support for this effect of transformational leadership on perceptions of red tape. Pandey and Moynihan (2006: 147) explain how organizational cultures may frame the constraints that red tape imposes in different ways: "Some [organizations] will accept the constraints as given, and may even exaggerate their impact. Other organizations will seek to test the limits of these constraints, work around them, or interpret them in a way that allows a positive action bias". Supervisors' leadership contributes to what may be called the organizational rules culture, ranging from strict compliance with the rules to "work around" the rules and finding creative solutions. This reading provides an interpretation of the findings by Moynihan et al. (2012) by suggesting that employees' red tape perceptions are influenced by their supervisor's leadership and mediate the relationship between supervisors' leadership and performance.

Although red tape is generally assumed to have a negative effect on employee outcomes, Brewer and Walker (2010b) found that public employees are more concerned about red tape imposing hardship on their clients than on rules hindering them personally. Again, as in the case of organizational outcomes, the role of the supervisor should be included when studying the effect of red tape on employee outcomes. Brunetto et al. (2011) demonstrated that supervisors' leadership influences employees' perceptions of well-being and argued that supervisors in a professional organization such as a hospital have more power to mediate top-down demands, the increased paperwork, and workload than supervisors in other types of public sector organizations such as the police. In a similar way, Brewer and Walker (2010b) point to the role of supervisors when they find that internal red tape is not significantly related to staff satisfaction and suggest that this may be related to communication being an important factor.

Summing up these insights, we can conclude that people management in public organizations has an important influence on organizational and employee outcomes. One way in which this influence is effected is through supervisors' impact on employees' PSM and red tape perceptions, which are both features that are distinctive of public sector organizations. Public service motivated employees are willing to exert themselves and their supervisors' transformational leadership and their organizations' HPWS will positively influence their employees' PSM. On the other hand, red tape generally has a negative effect on organizational outcomes, but supervisors may influence their employees' red tape perceptions through their transformational leadership, so that employees feel encouraged to work with and around the rules in order to deliver meaningful public service.

## Conclusion

In this chapter, we set out to discuss people management in public sector organizations, starting from the idea that it is their mission that makes public organizations different from private organizations. While the strategy of private organizations is mainly aimed at achieving financial



targets, public organizations typically serve multiple and sometimes conflicting goals which are set by the authorizing environment. The mission-driven character of public organizations is a key distinctive characteristic that has important implications for people management. Public organizations generally implement bundles of HRM practices that fit with what Kalleberg et al. (2006, p. 276) regard as the humanistic goals which match the mission of public organizations. Other distinctive features of public organizations that impact on people management and its effect on societal, organizational, and employee outcomes are the constraints on managerial discretion, perceptions of red tape, and employees' public service motivation. In this chapter, we have focused on characteristics that make people management in public organizations distinctive from people management in private organizations. However, it is essential to note that there is no such thing as *the* public sector. Depending on the specific context, regarding country, subsector, size, etc., the features of people management in the public sector will vary.

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HRM in Mission Driven Organizations  
Managing People in the Not for Profit Sector  
Brewster, C.; Cerdin, J.-L. (Eds.)  
2018, XIII, 300 p. 3 illus., Hardcover  
ISBN: 978-3-319-57582-7