INCREASING MOTIVATION AND PERFORMANCE: EVIDENCE FROM THE MISLEADING USE OF REWARDS IN THE PUBLIC SECTOR

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ABSTRACT

This paper investigates the use of monetary and non-monetary rewards in the public sector and explores their relationship with managers' performance and motivation.

A questionnaire had been administered to a sample of public sector managers of all Italian municipalities with over 50,000 inhabitants. We randomly selected 30% of the population and we received 240 usable questionnaires (response rate of about 40%). Motivation has been measured on the framework of SDT with 3 items for each dimension (intrinsic and extrinsic) tested on a five-point Likert scale. We measured performance with 3 items tested on a five-point Likert scale. To test the relationships among the variables, a confirmatory factor analysis has been performed.

Existing monetary rewards are not associated with job quality, extrinsic motivation, and intrinsic motivation. Job quality is positively related to verbal recognition for performance.

Extrinsic and intrinsic motivation are both positively related to being given more autonomy/power, and extrinsic motivation also to being involved in the definition of objectives for the following year, as non-monetary rewards.

Reward systems are widely considered one of the cornerstones of the managerialized public sector. Though, robust studies investigating the actual rewarding practices and the effectiveness of monetary and non-monetary incentives are still limited.

Keywords *– monetary and non-monetary rewards, intrinsic and extrinsic motivation, performance, local governments.*

INTRODUCTION

Reward systems are widely considered one of the cornerstones of the managerialized public sector (Lapsley, 2008; Newberry & Pallott, 2004). Most of the attention has been paid to Performance Related Pay Systems (PRPS), proposed by the New Public Management (NPM) as a blueprint to reform civil service (Thompson, 2007; Perry et al., 2009).

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As a consequence, PRPSs have been adopted in the majority of the OECD countries in different periods (e.g., in the 1960s as in Canada or in the new millennium as in France, Hungary, and Switzerland) and with different characteristics. For example, Nordic countries seem to focus more on personnel development; others like the Napoleonic ones, such as France and Italy (Ongaro, 2010), stress the attention more on the leadership and accountability of top civil servants (OECD, 2005).

On the one hand, the reasons for implementing a PRPS can be found in the underlying assumption that they can help to increase efficiency and employee motivation in public sector organizations (Weibel et al., 2010). PRPSs have been considered to have the broad aim of motivating 'workers to higher levels of performance and productivity by linking performance to financial incentives' (Ingraham, 1993, p. 350). Nevertheless, the effects of monetary incentives (Ryan & Deci, 2000; Deci et al, 2011a; Deci et al, 2011b; Cameron, 2001; Promberger & Marteau, 2013) and the existence of a causal link between the adoption of a PRPS and increased individual performance and motivation are currently under scrutiny and widely debated (Perry et al., 2009; Bender, 2004; Kang & Yanadori, 2011; Bellé, 2015).

Conversely, there is an upsurge of evidence regarding the increasing use of non-monetary rewards in the public sector, their usefulness (Bellé, 2015), and their appreciation by public servants as they correspond more to the public sector culture than purely monetary ones (Giauque et al., 2013, Emery, 2004).

Thus, reward systems in different countries include both monetary and non-monetary rewards (Walker & Boyne, 2006). Though, robust studies investigating the actual rewarding practices and the effectiveness of monetary and non-monetary incentives are still limited (Bellé & Cantarelli, 2015; Cerasoli et al. 2014; Wittmer, 1991).

This paper investigates how monetary and non-monetary rewards are used in public sector organizations and their relations with individual performance and motivation.

The paper is structured as follows. The next two sections analyse the links between rewards (monetary and non-monetary), performance and motivation. The third section provides a description of the context of the analysis. The fourth section presents the research methodology. The fifth section reports on the results of the research. The sixth and the last sections present the discussion and the conclusions, respectively.

MONETARY/NON-MONETARY REWARDS AND PERFORMANCE

The most used reward, whose provision is linked to performance through a PRPS (OECD, 2005), is money. Some meta-reviews found positive links between PRPSs and performance (Shaw & Gupta, 2015; Hasnain et al., 2014; Cerasoli et al, 2014; Weibel et al., 2010; Jenkins et al, 1998), while other authors warn that PRPSs conditionally and partially work but their implementation and contextual features may be decisive for achieving positive outcomes (Kauhanen & Piekkola, 2006; Marsden et al, 2001; Belfield & Marsden, 2002; Marsden & Richardson, 1992).

On the other hand, some authors are more skeptical about the effectiveness of PRPSs in enhancing performance. Pearce et al. (1985) showed that PRPSs did not affect organizational performance, and Perry et al. (2009) argued that public sector peculiarities might inhibit PRPSs from working correctly.

Several specificities of the public sector are considered to hinder the effectiveness of PRPSs, such as the limited availability of resources to incentivize individuals (Weibel et al. 2010), the goals' ambiguity (Frey et al., 2013), and the risk of politicization (Weibel et al., 2010). In particular, in their meta-analysis, Weibel et al. (2010) suggest that PRPSs can increase performance in the case of non-interesting tasks, while they may reduce it in the case of interesting ones. Similarly, Perry et al. (2009) noted that different types of public service sectors show different acceptance grades for PRPSs. In general, PRPSs have greater more significant effects on performance where responsibilities and objectives are clear and unambiguous (Perry et al., 2010). This is particularly relevant since PRPSs are designed to be addressed primarily to top managers who tend to have interesting tasks and relevant grades of ambiguity to face.

Bellé (2015) tested the effect of a PRPS in experimental design research and found that monetary incentives can enhance performance when they are not publicly disclosed. This is also in line with the literature that suggested that the more unexpected the reward, the stronger the effect (Rheinberg, 2008). Such peculiarity is relevant since transparency in the public sector also extends to incentives paid to managers.

Considering that public sector peculiarities are so crucial in the functioning of PRPSs, empirical works testing real incentives as they operate in practice have been called strongly needed (Cerasoli et al., 2014). Moreover, the existing literature either focuses on one single organization (e.g. Bellé, 2015) or deals with large groups of public servants operating at different levels of government (e.g. Marsden et al, 2000; Atkinson et al, 2014), especially at national one (OECD, 2005). Despite a few exceptions (e.g. French & Emerson, 2014 and 2015; Egger-Peitler et al., 2007), and regardless of its relevance in different countries (French & Emerson, 2015), the local government level is understudied.

Shaw and Gupta (2015) reviewed the literature and highlighted new meta-analytic findings: they suggested that financial incentives are more effective than previously thought. Therefore, according to this latest evidence, this paper aims to test this first hypothesis:

H1. Monetary rewards are positively related to managers' performance.

Although it is a widespread practice (Kellough & Selden, 1997), several doubts have been raised against using money in the public sector (Ryan & Deci, 2000; Frey et al., 2013). Jacobsen & Andersen (2017) found no direct, significant relationship between the use of contingent rewards (defined as material and non-material) and organizational performance; therefore, they cannot recommend either using or not using those rewards. However, non-monetary incentives seem promising in avoiding the shortcomings of PRPSs (Bellé, 2015) and are appreciated by public servants (Giauque et al., 2013, Emery, 2004). Liang (2014) claims that non-monetary rewards may be even more pertinent to performance in public sector organizations and warns against using the wrong kind of reward. Although their study refers to the recruiting process, Andersen, et al. (2012) suggested using compensation packages that include both monetary and non-monetary rewards to

increase attractiveness for potential public sector employees. Bellé & Cantarelli (2015) called for more research on the effectiveness of non-monetary forms of rewards. In fact, because such rewards have been mainly tested in experimental designs, there is a lack of studies that empirically test how they work in practice (Cerasoli et al. 2014). For this reason, the second hypothesis has been formulated as follows:

H2. Non-monetary rewards are positively related to managers' performance.

MONETARY/NON-MONETARY REWARDS AND MOTIVATION

Rewards have been widely considered to be helpful in increasing employees' motivation (Giauque et al., 2013; Bellé & Cantarelli, 2015; French & Emerson, 2014). In psychological studies, motivation has been distinguished as extrinsic and intrinsic upon the concept of the locus of control, which represents the source of pressure to perform an action and can be external or internal to the person (Weibel et al., 2010). Extrinsic motivation refers to a behaviour that arises from outside the individual; it involves doing tasks to obtain an external outcome, separable from the task itself (Ryan & Deci, 2000). Intrinsic motivation originates inside the individual: a task may provide its own utility for the doers, so individuals can be intrinsically motivated in performing this task: such a human feature may affect performance so strongly that additional money or other external incentives are not required to reward results (Ryan & Deci, 2000). In such cases, incentives may create the perception of external pressure that wants to control an individual's autonomy and reduce his/her willingness to cooperate (Ryan & Deci, 2000).

The Self-Determination Theory (SDT) proposes a more nuanced approach to extrinsic motivation that includes distinct forms of extrinsic motivation: external regulation, introjection, identification, integration, and a continuum of internalization. The more internalized the extrinsic motivation, the more autonomous the person will be when enacting the behaviours.

External regulation or motivation refers to employees engaging in an activity to obtain a reward or avoid punishment. Introjected motivation is based on employees' desire to avoid shame or boost their sense of self-importance. Identified motivation refers to an employee internalizing the regulation as they identify with the task because of its value, meaning, and importance. Integrated motivation occurs when identified regulations are fully assimilated to the self, which means they have been evaluated and brought into congruence with one's other values and needs. The differences depend on the degree to which the regulator or the source of motivation has been internalized (Gagné et al. 2015). Consequently, the effect of rewards on motivation may depend on the recipients' perception regarding the intentions of who is in charge of giving the rewards. Whenever there is a perception of being controlled, the SDT suggests that it will hinder intrinsic motivation, the so-called crowding-out effect (Mikkelsen et al, 2017; Jacobsen et al, 2014; Frey & Jegen, 2001).

As shown empirically, promising rewards, often in the form of extra money, produce no effects at all on motivation (Bellé & Cantarelli, 2015; Herzberg, 1987), or even generate an adverse effect of weakening individuals' intrinsic motivations (Weibel et al., 2010;

Ryan & Deci, 2000). Georgellis et Al. (2011) found that intrinsic rather than extrinsic rewards attract individuals to the public sector, and offering extrinsic rewards reduces the possibility for an intrinsically motivated individual to accept employment in the public sector.

In contrast, intrinsic motivation might increase whenever the performance pay is perceived to be an instrument of support (transparent, participatory, and fair) (Wenzel et al, 2019).

In a similar vein, Shaw & Gupta (2015) stated that the corrosive effects of financial incentives on intrinsic motivation in the workplace are mythical, and the adverse effects come from an arbitrary and unjust treatment of people instead.

For all these reasons, motivating employees and the success of the different available options is widely debated in the literature (Cameron, 2001; Deci et al, 2011a; Deci et al, 2011b; Gerhart & Fang, 2015).

In addition, motivation structures are supposed to be different between public servants and private sector employees (Ingraham, 1993). Public sector motivation (PSM) theory, for example, explains motives related to serving the public and links personal actions with the overall public interest (Perry et al., 2010). According to Breaugh et al. (2017), PSM and SDT are two empirically different concepts, and intrinsic motivation has the most robust positive relationship with PSM compared to the other dimensions of SDT. As public servants' motivation is supposed to be more internal (French & Emerson, 2015), public employees are deemed to prefer intrinsic rewards to extrinsic (monetary) ones (Crewson, 1997; Houston, 2000). However, Chung-An & Bozeman (2013), in a study where they compared public and non-profit managers' motivation, through the lens of SDT, found that public managers have a stronger extrinsic motivation influenced by extrinsic factors (e.g., the security of their job) and that their extrinsic motivation is stronger than their service motivation (Chung-An & Bozeman, 2013). A recent study by Corduneanu et Al. (2022) suggests expanding SDT by considering the effect in the relationship between PRPS and PSM, played by contextual and person-specific moderators. For example, support for autonomy is a contextual moderator in that it encourages self-initiation and minimizes pressure and control, and, in turn, reduces the crowding-out effect of monetary incentives on motivation.

Other studies negate the differences in preferences between public and private sector workers (Gabris & Simo, 1995) or reveal a particular propensity for monetary incentives, even in the public sector (Egger-Peitler et al., 2007). Deci (1971, 1972) found that verbal reinforcements, as external rewards, increase their sense of competence, self-determination, and intrinsic motivation by adding positive value to the activity people like to do. Andersen, Boye, & Laursen (2017) found a positive correlation between verbal rewards and motivation in Danish school managers. Moreover, when a non-monetary extrinsic reward is offered, it raises the employee's intrinsic motivation by making individuals aware that intrinsic motivation is appreciated (Frey, 2007; Swiss, 2005). Finally, the literature (Kuvaas & Dyvsik, 2009; Gagné & Deci, 2005; Kuvaas, 2006) highlights the existence of a linkage between the need to increase the selectivity in assigning incentives and the increase in individual motivation.

For this reason, the link between different rewards and motivation has been tested, and the following hypotheses have been formulated:

H3. Monetary rewards are positively related to managers' motivation.

H4. Non-monetary rewards are positively related to managers' motivation.

THE CONTEXT OF THE EMPIRICAL ANALYSIS

Italy has a three-tier system of 20 regions, with over 110 provinces and about 8,000 municipalities (ISTAT, 2021). The overall public expenditure weighs 46% of the GDP, and municipalities account for 16% of the GDP (ISTAT, 2018).

Regardless of their size, municipalities provide a wide range of services, such as public transport, social services, water provision, local police, sewerage, and waste collection. They have limited fiscal autonomy and can decide fees for their services (Liguori, 2012).

Some 85% of Italian municipalities have fewer than 10,000 inhabitants and 70% have fewer than 5,000 inhabitants (Comuniverso, 2018).

Italian local governments had experienced an intense season of managerial reforms since the 1990s when performance management systems were introduced together with PRPSs. PRPSs are defined by law, but single local governments have significant flexibility in implementing them, for instance, by deciding a specific distribution of rewards (OECD, 2005). Related to this last aspect, the Italian public sector has been characterized by a distorted use of performance-related pay, with an undistinguishable evaluation of performance and undifferentiated provision of monetary rewards (Valotti, 2005; Ongaro & Bellé, 2009). The latter phenomenon has also been seen to be caused by a gap between the adoption of a PRPS and its concrete functioning that happens in various OECD countries when performance rewards are distributed even without any formal assessment of individual performance (OECD, 2005).

This was one of the main reasons for introducing the 2009 Italian legislation (Legislative Decree n. 150/2009) that attempted to reinforce the implementation of performance management systems in public sector organizations. The law has aimed to oblige public organizations to modify their evaluation and rewards systems to differentiate the evaluations and promote the use of non-monetary rewards (for instance, participation in high-level training programs) and monetary ones.

METHODOLOGY

A questionnaire had been administered at the beginning of 2015, through an online system, to a sample of public sector managers of all Italian municipalities with over 50,000 inhabitants (approximately 2,000 individuals distributed in 142 municipalities). We chose to compare municipalities with over 50,000 inhabitants, generally located in urban areas, for several reasons: a) the presumed existence of more developed and stable evaluation and PRPSs in such municipalities; b) the fact that smaller municipalities have only been allowed to have managers since 2012 when the previous legislation (Legislative Decree

n. 347/1983) was repealed; and c) the costs of managerial positions are currently high and small municipalities can decide not to appoint managers.

We found managers' contact details (email addresses) on the municipalities' websites. Italian municipalities usually have one top (lead) manager (the Director-General); the others are all middle managers. Subsequently, we have decided only to involve middle managers in the research.

We randomly selected 30% of the population (approximately 600 individuals), and we received 240 usable questionnaires for a response rate of about 40%.

Measures

Dependent Variables

Motivation has been measured by using the two extremities of the scale of Gagné, Forest, Gilbert, Aube, Morin & Malorni (2010), based on the framework of SDT. We used 3 items for each dimension (intrinsic and extrinsic) that were adapted to the context and tested on a five-point Likert scale ranging from 1=strongly disagree to 5= strongly agree.

An example of an item for intrinsic motivation is: I like to reach my objectives because it is enjoyable and satisfying for me. An example of extrinsic motivation is: I work hard to reach my objectives in order to improve my social status.

We measured performance with 3 items from the scale of Kuvaas & Dysvik (2009), through which they measured job quality as a proxy for individual performance (tested on a five-point Likert scale ranging from 1=strongly disagree to 5= strongly agree). An example of an item for job quality is: The quality of my performance is usually high. In the literature, fewer studies have examined performance quality as an outcome compared to the most used performance quantity (Shaw & Gupta, 2015), and the results are sometimes contrasting. In Jenkins et al. (1998) meta-analysis, the relationship between financial incentives and performance quality was positive but non-significant. Garbers and Konradt (2014) found more robust effects of financial incentives on performance when measured qualitatively rather than quantitatively.

Independent Variables

Managers were asked if they had received the following rewards (dummy variable coded 1=yes and 0 otherwise) after the last evaluation:

- rewards included in the 2009 legislation (Legislative Decree n. 150/2009), such as: the opportunity to participate in training activities, being given more autonomy/power, and monetary rewards (in this case, we have also asked what % of their annual base income is the monetary reward);
- additional rewards, not foreseen by the legislation but used by Italian municipalities, such as involvement in the definition of objectives for the following year and verbal recognition for their performance (Deci, 1971, 1972; Koch, 1956; Spano & Monfardini, 2018).

Control variables

As typical in research of this nature, some variables that may influence work-related behaviours and attitudes have been added as control variables in the analyses. Some personal data were asked: gender (dichotomous variable coded 1 for male and 2 for female), age expressed in years (categorical variable; less than 35, 36-40, 41-45, 45-50, 51-55, more than 55), role tenure expressed in years (categorical variable: less than 5, 5-10, 11-20, more than 20), and experience at a managerial level in the private sector (dummy variable coded 1 for managers that have had a managerial role in the private sector before and 0 otherwise).

Sample

62% of respondents were male; approximately 50% of managers were over 55 years old, while just 10% of them were less than 40 years old; 29% of respondents were managers for less than five years, 22% were managers for a period between five and ten years, 33% were managers for a period between 11 and 20 years, and the remaining 16% were managers for more than 20 years; only 25% of managers had previous experiences in the private sector in a managerial role.

Results

The research aimed to analyse the relationship between rewards that are actually used in the Italian public sector on the one hand and managers' motivation and performance on the other hand.

Participants reported that, as a result of their last evaluation, they received monetary rewards (90.8%), have been involved in the definition of objectives for the following year (68.3%), have received verbal recognition for their performance (42.9%), have been given more responsibility in managing resources (32.5%), more autonomy/power to take decisions (18.8%), more prestigious assignments (13.3%), have received the opportunity to participate in training activities (10.8%), and have been included in career development activities (7.9%).

Moreover, among the managers that received monetary rewards, approximately 50% said that the monetary reward was less than 10% of their annual base income; less than 40% said that it was between 11% and 20% of their annual base income, and the remaining part said that it was more than 20%.

Regarding motivation (intrinsic and extrinsic) and performance, to test how well the 3 groups of measured variables represented our 3 constructs, a confirmatory factor analysis (CFA) has been performed using Amos 23.0. The CFA model included 9 observed variables loading on 3 latent factors. Fit statistics for this model are $\chi 2/df$ (degrees of freedom): 57/24=2.37; goodness-of-fit index (GFI): 0.95; comparative fit index (CFI): 0.96; Tucker–Lewis index (TLI): 0.95; root mean square error of approximation (RMSEA) = 0.08. Each item had a significant factor loading on its theorized latent construct ($t \geq 6.19$). The discriminant validity has been tested according to Fornell and Larcker (1981). The average variance extracted (AVE) of a construct should exceed its highest squared correlation with any other construct. The criterion was met as the highest squared correlation

in our data (0.36) was between intrinsic motivation and job quality, and the AVE values for job quality, extrinsic motivation, and intrinsic motivation are respectively: 0.77, 0.77, and 0.82.

Additionally, to control for the effect of common method bias in mono-method research designs like this one, we have performed the Harman single-factor test. The results (34.23%) indicate the absence of common method variance because the single factor accounts only for less than the majority of covariance among measures (Podsakoff et al., 2003).

Managers appear to be highly intrinsically motivated, and they believe the quality of their performance to be high. The correlation between intrinsic motivation and performance is positive and significant. Except for the monetary reward, all the correlations between the rewards and managers' performance and motivation are positive (Table 1 shows correlations, Cronbach's alphas, means, and standard deviations of the dependent variables).

Table 1. Means, standard deviations, Cronbach's alphas, and correlations.

Variables	**Performance**	**Mot Int.**	**Mot Est.**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**M**	**SD**	**α**
Performance											3.51	.728	.801
Intrinsic Motivation	.326**										3.65	.921	.800
Extrinsic Motivation	.005	.204**									2.66	.873	.834
1. monetary rewards	-.006	-.056	-.065										
2. opportunity to participate in training activities	.085	.048	.025	.018									
3. verbal recognition for their performance	.260**	.144*	.084	.071	.077								
4. being given more autonomy/power	.208**	.180**	.245**	.042	.245**	.381**							
5. being involved in the definition of objectives for the following year	.056	.058	.256**	.063	.064	.228**	.166**						
6. being given more prestigious assignments	.197**	.133*	.104	-.045	.100	.254**	.314**	.056					
7. being included in career development activities	.052	.149*	.182**	.040	.096	.245**	.334**	.133*	.430**				
8. being given more responsibility	.203**	.072	.135*	-.057	.159*	.297**	.328**	.033	.513**	.324**			

The hypotheses were tested with seemingly unrelated regressions (SUR), a single model with three different linear equations that could control for the correlation between error terms across separate regression models (Martin & Smith 2005).

In table 2 three models are presented. In all of them, all the rewards (monetary and non-monetary ones) and the control variables have been used as predictors, and the job quality, extrinsic motivation, and intrinsic motivation, respectively, have been used as criteria.

Table 2. Effects of rewards on performance, intrinsic motivation and extrinsic motivation

	Performance		**Intrinsic motiva-**		**Extrinsic motivation**	
	Coef.	SE	Coef.	SE	Coef.	SE
1. monetary rewards	-.0152751	.1523641	-.2141499	.1992397	-.2577751	.1788664
2. opportunity to participate in training activities	.0412787	.1460019	-.018623	.1909201	-.1535467	.1713975
3. verbal recognition for their performance	**.3030986*** **	.1009775	.1830544	.1320437	-.1596392	.1185415
4. being given more autonomy/power	.195243	.1321025	**.2886484***	.1727444	**.49176*** **	.1550804
5. being involved in the definition of objectives for	-.0101858	.0974351	.0074267	.1274114	**.4264581*** **	.1143829
6. being given more prestigious assignments	.2472072	.1614168	.171366	.2110775	-.1023512	.1894937
7. being included in career development activities	-.2566885	.1909784	.3086856	.2497338	.2188193	.2241972
8. being given more responsibility	.1297654	.114053	-.099137	.1491419	.1462274	.1338914
Gender	.0494707	.0923344	.1044991	.1207415	**-.1946179***	.108395
Age	-.0094581	.0473499	-.0216601	.0619173	-.0746548	.055586
Role tenure	.0419624	.0473959	.0538084	.0619775	-.0175905	.05564
Experiences in the private sector	**.2030411** **	.1019482	**.2537561***	.133313	.1619869	.1196811

One non-monetary reward has a positive relationship with job quality: verbal recognition for their performance. Two non-monetary rewards have a positive relationship with extrinsic motivation, namely 1) being given more autonomy/power and 2) being involved in the definition of objectives for the following year. Finally, one non-monetary reward has a positive relationship with intrinsic motivation: being given more autonomy/power.

The control variable related to managers that have had previous experiences in the private sector (in a managerial role) has a positive relationship with job quality and intrinsic motivation. Moreover, gender is negatively related to extrinsic motivation; it means that male managers are more extrinsically motivated than female managers.

We have also controlled for the different local governments (n. 74 included in the sample), population, and six functional areas (administrative, infrastructures, supporting entrepreneurship, social services, police departments and sport, leisure, and cultural activities). However, they do not have a significant relationship with the outcomes due to the homogeneity of the context (different municipalities do the same activities, managers are paid the same despite the dimension of the organization, they are all middle managers, and there is not a career development plan); the only predictors that work are the different rewards.

The first and the third hypotheses were not confirmed, as existing monetary rewards seem not to be associated with job quality, extrinsic motivation, and intrinsic motivation. With three separate linear regressions, we have also tested the relationship between monetary rewards (as the only predictor) and job quality, extrinsic motivation, and intrinsic motivation, respectively. The coefficients for monetary rewards are not significant in none of the three linear regressions, supporting that H1 and H3 have to be rejected.

The second hypothesis was partially confirmed as Job quality is positively related to verbal recognition for their performance.

The fourth hypothesis was partially confirmed as extrinsic and intrinsic motivation are both positively related to being given more autonomy/power, and extrinsic motivation is also related to being involved in the definition of objectives for the following year, as non-monetary rewards.

DISCUSSION

The use of rewards in public sector organizations has been widely debated, and performance-related pay, in particular, is one of the most known and used tools promoted by the NPM to improve productivity and efficiency (Thompson, 2007; Perry et al., 2009). Starting from the controversial positions provided by the literature on the usefulness or the dangerousness of using different typologies of rewards (monetary and non-monetary ones), especially for intrinsic motivation, this paper investigates the relationship between monetary and non-monetary rewards with job quality, extrinsic and intrinsic motivation in the Italian public sector.

Since the results show that managers are intrinsically but also extrinsically motivated and that they believe their level of work quality is high, we went further to reach a deeper comprehension of what rewards could be more effective.

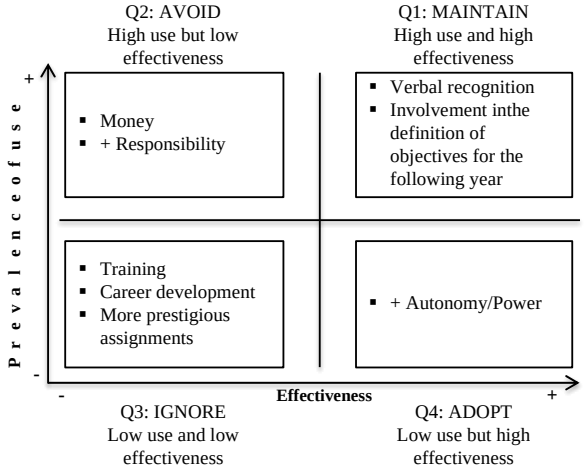
Our findings show that the monetary reward is not related to performance nor to intrinsic or extrinsic motivation, and the correlations between monetary reward, managers' performance, and motivation, even if they are not significant, are negative. On the contrary, verbal recognition of managers' performance is positively related to performance. This finding is interesting as it suggests that even though money is the most frequently used form of reward, managers appreciate other rewards, as the literature predicts (Giauque et al., 2013; Emery, 2004; Wittmer, 1991).

Moreover, being given more autonomy/power is positively related to both intrinsic and extrinsic motivation, and being involved in the definition of objectives for the following year is positively related to extrinsic motivation.

It is interesting to note the discrepancy between the level of use of the rewards mentioned above and their effectiveness, related to their relationships with the outcomes, performance, and motivation. For instance, money is the most used typology of reward, used to reward managers in more than 90% of the cases, while our findings contradict its usefulness as it is neither related to performance nor to motivation.

Speculatively speaking, our findings suggest that rewards may be classified with two variables: use and effectiveness, which, as shown in figure 1, may result in four different quadrants. In the first quadrant, there are those rewards that are highly used and effective (e.g., verbal recognition). In the second quadrant, there are those rewards that are highly used although they have proven not to be effective (e.g., money). In the third quadrant, there are those rewards that are not much used and respondents consider not effective (e.g., the opportunity to participate in training activities). Finally, in the fourth quadrant, there are those rewards that could potentially be effective but are not much used (e.g., obtaining more autonomy/power).

Figure 1. Rewards' prevalence of use and effectiveness



Reward systems may need an in-depth re-design to make them more capable of having an effect on motivation and performance. The fact that some kinds of rewards are extensively used but not effective, while others are much less used, although effective, may depend on a form of path-dependency (Garud, Kumaraswamy, & Karnøe, 2010; Sydow, Schreyögg & Koch, 2009), that occurs when one continues to use the wrong reward with the hope to influence 'individuals' behaviour.

Our research suggests substituting rewards such as money with those that have proved their positive relationships with the desirable outcomes. Therefore, more autonomy and power should be given to managers in order to strengthen both their intrinsic and extrinsic

motivation. It is in line with the SDT, which suggests supporting 'individuals' natural or intrinsic tendencies and that autonomy facilitates internalization (Ryan & Deci, 2000).

CONCLUSIONS

The debate on the effectiveness of rewards on individuals' motivation and performance has been ongoing for a long time. The literature did not achieve a shared position, and there are different stances from those who consider this reward useless for increasing motivation and performance and those who support the idea that money may influence both (Shaw & Gupta, 2015). By investigating the relationship between monetary and non-monetary rewards with individual performance and motivation, this paper contributes to the existing literature by providing empirical evidence that suggests that, in a specific context and under specific circumstances, monetary rewards do not appear to be related to people's performance and motivation.

Three elements deserve special attention. Firstly, the results highlight that money is neither related to performance nor motivation, however, it is still the most used reward. Therefore, the policies implemented to manage rewards in the public sector need to be redesigned not to ignore their demonstrated ineffectiveness. In addition, the predominance of monetary rewards modifies the outcome of the evaluation systems that are meant to improve performance, but, instead, they are used to distribute more money to employees and managers (Spano & Monfardini, 2018).

Secondly, the findings suggest that increased motivation and higher performance may be better achieved by using non-monetary rewards rather than monetary ones. Being given more autonomy and power is related to both intrinsic and extrinsic motivation. The latter is also related to being involved in defining objectives for the following year. In addition, verbal recognition is positively related to managers' performance.

As suggested by Schroeder & Fishbach (2015), extrinsic incentives, such as pay for performance, are often necessary to motivate people because it is rare that a task would be entirely intrinsically enjoyable or a person entirely intrinsically motivated. However, more intrinsic incentives should be used as 'humans do not strive only for money in life, but also for social connection and engaging in meaningful 'tasks' (Schroeder & Fishbach, 2015, p. 137) but our findings suggest that money remains the most used reward.

Thirdly, it is important to analyse real rewards as operating in practice. In fact, they may provide essential elements to improve existing human resource management practices in local governments through a clearer picture of the existing reality. For example, as suggested by the literature (Ryan & Deci, 2000), motivation is not unmovable, but it can and should be managed; therefore, the public sector may improve its capability to achieve

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better results by choosing a set of rewards that can stimulate individual motivation. In other words, broader reward systems should be designed, considering that different rewards and combinations may have different effects on different individuals. Recent experimental designs show that salary increase does not seem to affect preferences for positions, while interesting tasks and the possibility to benefit more citizens do (Bellé & Cantarelli, 2018). At the same time, given the different effects of different kinds of rewards on performance and motivation, a possible strategy could be a combination of different rewards through compensation packages. Compensation packages are considered effective sorting devices to select more motivated personnel (Andersen et al, 2012), and perhaps they may also be used to individually select those rewards more apt to enhance motivation, since different personal conditions and preferences may make similar rewards to work differently (Igalens & Roussel, 1999).

This paper has the following limitations. Firstly, the results may not be generalised to countries that do not share the same specificities (Napoleonic countries) as the context analysed. Secondly, this research is based only on 'respondents' perceptions, and future research should include more objective measures, especially for the outcomes. Thirdly, only middle managers were surveyed, most of whom had a relatively low amount of rewards at their disposal (the majority of the managers who received money after the last evaluation said that it was less than 10% of the annual base income). This is common among OECD countries as the size of monetary rewards is generally a reasonably modest percentage (less than 20% of the base salary at the management level) (OECD, 2005).

It would be interesting to replicate the research among employees with lower salaries and among employees for whom higher monetary rewards are available. Moreover, we used a single dichotomous question to measure the presence of each type of reward; more complex measures may allow richer and more nuanced analyses to test the direct influence of these rewards on 'managers' performance and motivation. For example, Schroeder and Fishbach (2015) studied the effect of immediate vs. delayed incentives and certain vs. uncertain incentives on motivation.

The paper does not address the issue of how the evaluation and measurement processes are shaped and how they can influence the use of rewards. Therefore, additional research is needed to pay attention to other important essential aspects, such as the moment in which the evaluation is performed, the kind of measures used, the aims to be achieved with the evaluation, and the level of subjectivity involved. A better understanding of these aspects would help to explain the effects of the different rewards on performance and motivation.

However, the paper suggests the possibility of replacing or complementing monetary rewards with different and more effective rewards and empirically testing how they work in practice (Bellé & Cantarelli, 2015; Cerasoli et al., 2014). We believe that this is an interesting area for comparative research among different institutional and cultural settings to investigate in-depth the relationship between different kinds of rewards and their effects on managers' performance and motivation.

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