



# Motivating Civil Servants for Reform and Performance

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'Capacity *is* Development' is a call to systematically review, capture and discuss key capacity development lessons of the past and to look on to the future. Through distilling key policy and investment choices made over time to motivate forward planning on capacity development, this research paper helped define the content framework of the 'Capacity *is* Development' Global Event. This paper was written by Elisabeth Paul. Special mention is made of contributions by Matthew Cummins, Kirsten Ejlskov-Jensen, Yvonne Helle, Jamshed Kazi, Hugh Robert, Bill Tod.

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# Motivating Civil Servants for Reform and Performance

## 1. Introduction

In any type of organization, implementing a change or reform often suffers a dismal fate, notably because of resistance by change agents themselves (Gilley et al., 2009). This is especially the case in developing countries, where lessons from several decades of governance and public sector reforms show that high degree of failure may often be explained by their focus on technology enhancement and reform *content* – without paying sufficient attention to the *approach* of changing behavior and organizational culture, including individual incentives for reform (e.g. Schacter, 2000; Easterly, 2001; Polidano, 2001; IEG, 2008a). Public sector reforms can be motivated by a series of reasons such as popular pressure, fiscal crisis, and financial support (IEG 2008a: 69-70). However, reforms which are potentially beneficial for the nation as a whole are almost certain to produce losers as well as winners (Klitgaard, 1997); they are therefore likely to give rise to resistance by potential losers. Besides, implementing reforms call for an extra amount of effort and cooperation, and a reform has little chance of being successfully sustained if those who manage it do not have appropriate incentives at crucial stages of implementation (Drazen, 2000). Beyond their role in sustaining reforms, civil servants' motivation and incentives are now consistently acknowledged as critical factors in determining performance in the public sector, and enabling capacity building<sup>1</sup> (Wai, 1995; IEG, 2008b; UNDP, 2006, 2009). This is true not only for those civil servants in charge of managing reforms, but also for street-level bureaucrats and front-line workers who implement public policies. Indeed, the latter may actually also be involved, to some extent, in policy-making, because they interpret and transform policy handed down from the top; understanding the motivations and incentives of this level of the civil service is thus also vitally important.

However, correct incentives are often lacking in the public sector in low income countries. In particular, the rapid expansion of employment of the civil service in many of them in the 1970s-1980s has been facilitated by reducing salaries, especially those at management level. Overstaffing and low salaries thus resulted on adverse consequences, including poor staff morale and a decline in work effort; difficulties in recruiting and retaining technical and professional staff; nontransparent forms of remuneration, especially nonwage benefits in cash

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<sup>1</sup> For instance, IEG (2008b) points that inadequate resources and incentives impair implementation of learning following training courses, especially for civil servants. All in all, training can help build capacity only insofar it is accompanied by strategies to deal with problems of staff turnover and weak incentives.



or in kind; and strong incentives to accept bribes (Lienert, 1998). The present paper aims to provide some informed reflections on how to motivate civil servants for performance and reform, especially in the perspective of sustaining capacity development.<sup>2</sup> Several types of public sector reforms have typically turned to be analyzed under the perspective of motivation and incentives to explain their lack of success, as shown hereunder.

### 1.1 Civil service and administration reforms

While civil service and administration reforms have been essential for sustaining public sector reforms in other areas, they tend to be less successful than other reforms such as those relating to public expenditure and fiscal administration (IEG, 2008a). Civil services in many developing countries “are frequently too large, too expensive, and insufficiently productive; and civil servants, especially those in managerial positions, get few incentives and are poorly motivated” (Nunberg, 1994: 120; quoted in Klitgaard, 1997: 490). Many low income countries have taken important steps in “first-generation” reforms – i.e. based on restructuring and downsizing civil services. Yet, beyond a certain point, cutting costs by squeezing real wages becomes counterproductive as skilled staff members leave the civil service; those who remain become demoralized; and absenteeism, moonlighting, and corruption increase (Lienert, 1998). Overemphasis on cost-containment as an end in itself has by the way given civil service reform a bad name, maximizing resistance to reforms and ultimately nullifying the very savings from cost-containment itself (Schiavo-Campo, 1998). To address these problems, countries have been attempting to lead “second-generation” reforms aimed at revamping pay and promotion policies (Lienert, 1998), as presented in Table 1 below.

**Table 1: Two generations of civil service reforms in developing countries**

|                                       | Main objectives   | Typical reforms   |
|---------------------------------------|---|---|
| <b>“First-generation” CS reforms</b>  | Quantitative containment of the wage bill, aimed at macroeconomic stabilization (focus on policies) | <ul style="list-style-type: none"> <li>- Downsizing the civil service</li> <li>- Redeployment of staff to priority sectors</li> <li>- Elimination of ghost workers</li> <li>- Salary freezes</li> <li>- Subcontracting to the private sector</li> </ul> |
| <b>“Second-generation” CS reforms</b> | Qualitative reforms aimed at improving the quality of civil service (focus on institutions)         | <ul style="list-style-type: none"> <li>- Restructuring remuneration so as to narrow differentials with the private sector (notably through wage decompression)</li> </ul>   |

<sup>2</sup> UNDP defines capacity development as the process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time. Motivation refers to the initiation, direction, intensity and persistence of behavior. Incentives, on the other hand, are external measures that are designed and established to influence motivation and behavior of individuals, groups or organizations; incentive systems or structures are combinations of several more or less coherent incentives. Motivators include purposive incentives in the above sense but also all other external factors, which impact upon peoples or organizations motivation (UNDP, 2006, 2009).



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- Changing promotion and personnel management policies so that merit and initiative are rewarded
  - Reassessing the mix of wage and nonwage spending, particularly in priority sectors
  - Providing training to upgrade skills
  - Improving civil service management
- 

*Source: Lienert and Modi (1997), Lienert (1998)*

Yet, the multiple objectives of first- and second-generation reforms can give rise to conflicts, and little progress has been reached in second generation reforms (Lienert, 1998).<sup>3</sup>

## 1.2 Public finance management

A second important field where reforms have consistently failed because of their lack of attention to individual incentives is public finance management (PFM). Practitioners have recently attempted to better understand the institutional context of budget practices in low income countries. In that vein, Stevens (2004) attributes the stability of dysfunctional PFM practices in these countries to the fact that stakeholders have adjusted to poorly performing systems, and the resulting informality may be more consistent than the formal rules with the country's actual governance reality. Indeed, the performance of PFM systems cannot be viewed in isolation of the human resources situation in governments, particularly the condition of the civil service, the loss of skills, the inadequate pay received by professionals and managers, and the imperative this creates to develop alternative sources of income. To quote Stevens (2004: 2-3), "[h]ow budget and financial management systems are actually operated depends on the interaction between formal and informal rules – the institutional and individual incentive systems that stakeholders respond to. [...] The informal rules are rational responses to the incentives with which budget actors are faced. These incentives arise partly from local circumstances, such as the collapse of conventional incentive systems, most egregiously civil service pay and conditions, the demands of ministers, and the decay of accountability." Powerful incentives are also created by the political and the aid processes, because donors have become a major influence on the institutional and individual incentives that stakeholders respond to. Stevens (2004) provides numerous examples of how local incentives affect the

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<sup>3</sup> For example, in Uganda, Robinson (2006: 20) notes that "[f]ailure to make progress on pay reform for the vast majority of public servants contributes to declining motivation. Large differentials between administrative grades and top civil servants, along with special treatment for senior officials in the political bureaucracy and semi-autonomous bodies [...] fuel resentment, undermine morale and provide a stimulus to corruption. The lack of incentives for public servants who have to cope with continuous reform initiatives and future uncertainty further runs counter to a key objective of the reform programme."



functioning of PFM systems.<sup>4</sup> All in all, countries may be unable to implement PFM reforms, for the most part because of stakeholder incentives that favor maintaining the *status quo*.

### 1.3 Decentralization

Another significant reform that is recurrent, especially in Africa, is the progressive decentralization of the State – that is, the transfer of public authority, resources, and personnel from the national level to sub-national jurisdictions. A recent study on three defining aspects of decentralization – political, administrative, and fiscal – indicates a moderate degree of decentralization in the Africa region. Political decentralization is the most advanced, but fiscal decentralization lags behind; decentralization is particularly weak for Francophone and Lusophone countries (World Bank, 2003). The literature on decentralization often neglects the political underpinning of the process; yet, decentralizing technical processes such as procurement is actually highly political as it means decentralizing significant authority (Stevens, 2004). In particular, despite the key role of the central bureaucracy in designing and implementing decentralization processes, its incentives to do so are mixed. The incentives of political elites and bureaucrats have indeed been identified as powerful factors explaining why decentralization is more advanced in some countries than in others (Ndegwa and Levy, 2004).

### 1.4 Anti-corruption measures

The fight against corruption has also been much studied from the perspective of individual incentives. If it is not addressed directly, corruption may undermine capacity building and institutional development projects (Klitgaard, 1997). A variety of factors contribute to corruption, such as the complexity of laws and procedures, the monopoly power and degree of discretion of officials, the lack of adequate monitoring and supervision, the commitment of political leadership, and the overall environment in the public sector (Purohit, 2007: 286). The low level of public sector wages in developing countries is often advanced as a leading factor affecting corruption; however, the empirical evidence as to whether low civil service wages foster corruption is mixed.<sup>5</sup> Nevertheless, the fight against corruption gains in understanding

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<sup>4</sup> To name a few: fiscal sustainability is jeopardized in heavily aided countries by the powerful incentive for departments to multiply projects to capture more donor resources; sector ministry officials have an incentive to create extra budgetary funds if government pay scales are deficient, and separate fund status may be parlayed into salary enhancements; dual budgeting is particularly encouraged because running costs incorporated into donor funded capital projects come with the expectation of “perks” such as overseas travel, donor allowances and training; cash budgeting creates rents for those who control the process and enhances their power, notably because bribes paid by contractors to ensure release of funds for major projects may be shared between the line ministry and ministry of finance officials; etc.

<sup>5</sup> Some evidence suggests that, following the so-called “efficiency wage hypothesis”, rent seeking is reduced when firms pay higher wages (e.g., Cappelli and Chauvin, 1991; Goldsmith et al., 2000). Van Rijckeghem and Weder (2001) find evidence of a statistically significant relationship between relative civil-service pay and corruption. Di



the reasons why individuals are tempted by misusing office for unofficial ends. This differs according to local settings, so that the relevance of anticorruption programs varies according to given country circumstances (Shah, 2007).<sup>6</sup> Note also that anti-corruption commissions are as likely to be affected by the same problems as any other public sector institution (Doig et al., 2007), so that the multiplication of institutions responsible for ensuring probity and integrity in the public service – as reported in Uganda by Robinson (2006), for instance – without providing them with adequate institutional position and incentives risks to be disappointing.

### 1.5 Wrap-up

Table 2 below synthesizes a number of private incentives that may interfere with the general goals of public service reforms in developing countries.

**Table 2: Examples of private incentives possibly interfering with public service reforms**

| Types of reform                                  | Stakeholders                 | Counter-productive incentives  |
|--|------------------------------|--|
| Civil Service Reforms                            | Politicians                  | <ul style="list-style-type: none"> <li>- Willing to increase the number of civil servants for patronage reasons</li> <li>- Unwilling to base recruitment and promotion on merit, prefer nepotism</li> </ul>  |
|  | Workers                      | <ul style="list-style-type: none"> <li>- Weakly motivated and unwilling to put forth effort</li> <li>- Unwilling to have major differences in salaries in egalitarian societies</li> </ul>   |
| Public Financial Management Reforms <sup>7</sup> | Treasury                     | <ul style="list-style-type: none"> <li>- Willing to extract rents by abusing of its dominant position in deciding which expenses will be paid first</li> </ul>   |
|  | Line Ministries and Agencies | <ul style="list-style-type: none"> <li>- Willing to negotiate with donors on a bilateral basis</li> <li>- Willing to use special procedures to fasten and ease fund management</li> <li>- Willing to have separate bank accounts to increase management flexibility</li> <li>- Weak incentives for internal audit</li> </ul> |
|  | Politicians / Parliament     | <ul style="list-style-type: none"> <li>- Prefer capital projects for political and rent-extraction reasons</li> <li>- May collude with corrupt administration if they need cash to finance the electoral process</li> <li>- Weak capacities for scrutinizing the budget</li> </ul>   |

Tella and Schargodsky (2002) argue that when control mechanisms are weak, wages do not have any impact on corruption. Other authors, such as Rauch and Evans (2000), find no relationship between wages and corruption.

<sup>6</sup> For example, Shah (2007: 247) points that increasing public sector wages may have negligible to weak impact on corruption according to the general state of governance in the country; generally speaking, it is likely to have little impact on grand corruption, but possibly a positive impact on petty corruption. For its part, merit-based civil service may have low to high impact on corruption – but it can be derailed by bureaucratic processes in highly corrupt societies.

<sup>7</sup> Main source for this subsection: Stevens (2004).



|                          |                        |   |
|--------------------------|------------------------|---|
|                          | Workers                | <ul style="list-style-type: none"> <li>- Weakly motivated and trained</li> <li>- Have developed informal rules that are more in line with real constraints → resist change</li> </ul>   |
|                          | External auditors      | <ul style="list-style-type: none"> <li>- Weak capacities and motivation</li> <li>- Weak follow-up and sanction power</li> </ul>   |
|                          | Donors                 | <ul style="list-style-type: none"> <li>- Willing to secure priority funding (earmarking) and sometimes, to provide special treatments for staff working for their projects</li> <li>- Sometimes preferring to negotiate with sectoral ministries</li> </ul> |
| Decentralization         | Central authorities    | <ul style="list-style-type: none"> <li>- Unwilling to transfer resources (power)</li> </ul>   |
|                          | Decentralized bodies   | <ul style="list-style-type: none"> <li>- Often deprived of sufficient capacities</li> <li>- Capable staff prefer working in large cities</li> <li>- Female staff obliged to follow their husband</li> </ul>   |
|                          |                        |   |
| Anti-corruption measures | Workers                | <ul style="list-style-type: none"> <li>- Find themselves unfairly treated → corruption is legitimated</li> </ul>  |
|                          | Anti-corruption bodies | <ul style="list-style-type: none"> <li>- Subject to similar environment/problems as other public bodies</li> <li>- Sometimes used by the government to harm political opponents</li> </ul>  |
|                          | Societies              | <ul style="list-style-type: none"> <li>- Often tolerant vis-à-vis corruption (considered as “gift”)</li> </ul>  |

*Source: Compilation by the author*

As illustrated by the examples above, incentives are a critical factor for the success of reforms and the performance of public organizations. After a general overview of the major lessons from the literature on incentives, the rest of the paper identifies major incentive issues that should be taken into account in designing appropriate institutions facilitating reform processes and capacity development in developing countries.

## 2. Lessons from the Literature on Incentive Theory<sup>8</sup>

The mainstream economic literature on incentives – especially institutional economics<sup>9</sup> and more precisely, the principal-agent theory – may be very helpful for designing appropriate incentives for public reform.<sup>10</sup> Indeed, the employment relationship may be viewed as one in which a “principal” (employer) delegates work to one or several “agents” (workers), whose effort or activity yields results for the principal. The latter will in turn provide them with appropriate incentives – both “carrots” (such as premiums) and “sticks” (penalties). Agent remuneration may, in principle, be based on inputs (e.g. effort, time spent at office) or on output (results). Remuneration is called “high-powered” the more strongly and directly it is linked to worker results – which may be a good option when effort is not easy to measure, and

<sup>8</sup> This section is based on an extensive literature survey performed by Paul and Robinson (2007).

<sup>9</sup> Institutional economics considers that institutions (i.e. the formal and informal rules of the game in a society) structure incentives in human exchange, and ultimately determine performance (North, 1990).

<sup>10</sup> See for example Leruth and Paul (2007) for PFM, and Azfar (2007) for corruption.





supervision is costly and/or imprecise. However, the literature points to major problems limiting the scope for paying workers on the basis of their output, especially performance measurement problems leading to effort distortions<sup>11</sup> (e.g. maximizing quantity of medical acts/pupils, at the expense of the quality of healthcare/schooling) and/or manipulating data to game the system. Moreover, it may be difficult to distinguish the contribution of one worker from others (e.g. when outputs are produced by a team, as well as for managers); workers may be induced into acting non-cooperatively if they compete for promotions or incentives; and high powered incentives transfer risks to workers in case of uncertainty due to uncontrollable external factors. The conclusion of this literature is that the less measurable are worker results, and the greater the uncertainty about the relationship between worker effort and the results measures available, the less use should be made of high-powered incentives. As for empirical evidence, it shows that financial incentives are associated with higher quantity of worker output (Gupta and Shaw, 1998; Jenkins et al., 1998; Prendergast, 1999); however, this evidence relates almost exclusively to jobs with routine tasks or at corporate managers' compensation, and says little about other jobs where measurement is difficult. The available literature on impacts on performance quality is inconclusive (Gupta and Shaw, 1998). There is also limited evidence of dysfunctional responses – perverse effects and gaming – to pay-for-performance systems based on “distortionary” performance measures (Baker et al., 1994; Prendergast, 1999).

Quite obviously, the optimal remuneration scheme will depend on the context and nature of the tasks performed. A set of factors have been identified as determining the appropriateness of employment and remuneration regimes, such as the ease and cost of monitoring, the availability, cost and quality of performance measures, and the importance of workgroup cooperation. The problems affecting the use of high-powered incentives tend to be severe in the public sector where performance measurement is particularly difficult because of the multiplicity of missions, and because worker cooperation in some sectors is so important that excessive wage differentials could be damaging to team cooperation. Therefore, financial performance incentives may optimally be absent or very low-powered in the public sector (Burgess and Ratto, 2003; Tirole, 1994; Dixit, 2002), and public agencies rather resort preponderantly on other types of incentives to promote better performance, such as promotion, deferred compensation (e.g. seniority pay and pensions), supervision, task assignment and work organization.

The key deficiency of the mainstream economic literature is its adherence to the postulate that workers are strictly materialistically self-interested. There is, however, considerable evidence

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<sup>11</sup> If workers are self-interested (as postulated in the mainstream economic literature) and faced with high-powered incentives linked to imperfect output measures, they are likely to ruthlessly focus effort on what is measured, neglecting what is not measured and which does not enter into their compensation scheme. This will be a problem in any “multi-tasking” context – that is, when the work to be performed encompasses several dimensions, some of which are less measurable than others (Holmström and Milgrom, 1991).



indicating that people often act contrary to their material self-interest, and that informal norms and socio-psychological forces may often motivate workers more powerfully than financial incentives do (Baron, 1988). Non-monetary motivations have been studied for decades by social scientists and psychologists (e.g. Herzberg, 1968; Deci, 1971; Lepper and Greene, 1978) and their findings are now more and more used by economists. As a range of different concepts have emerged, Paul and Robinson (2007) propose to distinguish between “materialistic” self-interested motivations and “non-materialistic” motivations; and within the latter category, between social, intrinsic and moral motivations. Non-materialistic motivation is particularly strong in the public sector, and so-called “public service motivation” may be defined as an altruistic motivation to serve the interests of the community, which leads public sector employees to commit effort because of the value they attach to a social service or other public goal (François, 2000). The mobilization of non-materialistic motivations requires different types of motivators than financial ones, such as social pressure; task enrichment, empowerment, and participation; good leadership; and other aspects of the quality of the working environment.<sup>12</sup> In particular, the sense of fairness has been identified as one crucial element of social motivation and it has been shown that workers who believe they are being fairly treated are more likely to put forth effort and commitment, while workers who feel unfairly treated may quit, reduce their effort level, steal from the employer, or even sabotage output (Ehrenberg and Smith, 1997). Note also that under specific circumstances, the increased activation of materialistic motivation by monetary rewards might reduce (“crowd out”) individuals’ non-materialistic motivation.

Finally, in multi-task settings – which concern most public sector jobs – it is often helpful to use multiple instruments to provide a balanced, coherent package of incentives (Gibbons, 1998; Holmström and Milgrom, 1994). The choice of an appropriate motivational system should be done using the logic of a cost-effectiveness analysis; that is, by comparing the incremental benefit prompted by the proposed instruments with all their costs, including potential perverse effects resulting from the imperfection of individual performance measures and potential negative effect of individual incentives on cooperation (Paul and Robinson, 2007).

Following this general overview of the general literature on incentives and motivators, the next two sections identify interesting practices for motivating civil servants for performance and reform. Note that while motivation lies within individuals, incentives and motivators may pertain to – or be designed at – different levels: individual, organizational or contextual. The next two sections deal with the effects upon civil servants’ individual motivation of the general incentive system which is often shaped by factors which combine and interact, and which pertain to these three levels; thus the level is not specified every time.

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<sup>12</sup> Note that motivators may be positive and/or negative: some external actions and conditions – such as perceived unfair treatment and bad working conditions – may actually reduce worker motivation.



Before moving on, let us notice that the bulk of the literature on incentives has been written upon the context of developed, Western countries. However, individuals from different cultural backgrounds are likely to be more sensitive to some types of motivations and to react somewhat differently to external interventions (Hofstede, 2001). In addition to different social norms, the public service in low-income countries faces a series of characteristics and constraints that may impede the use or reduce the power of some kinds of motivators that have proved effective in other settings. Such constraints might for instance be:

- the lack and/or poor quality of performance information;
- very low wages that may result in civil servants feeling to be unfairly treated – thus decreasing their loyalty to the organization, which may justify “sabotage” behaviors;
- weak institutionalized public service motivation resulting from a devalorization of civil service following structural adjustment programs (e.g. Bergamaschi et al., 2008), together with an implicit social acceptance of absenteeism and corruption;
- demotivating factors such as bad working conditions and little merit recognition, that may hamper intrinsic motivation;
- inadequate judicial systems making it harder to punish deviant behavior.

In the face of these additional pervasive problems, the question of how to motivate agents to perform is even more difficult in developing countries.

### **3. Motivating Civil Servants through Financial Incentives**

Even if it is only part of the picture, materialistic motivation is an important one. The argument that adequate pay is crucial for sustaining the motivation, performance, and integrity of public servants has been widely accepted and documented (Kiragu et al. 2004: 109). However, in many developing countries, civil servants receive weak base salaries and hence are poorly financially motivated. Even if estimating total wages is difficult because of the variety of rewards received in addition to base salary (e.g. allowances, job security, in-kind rewards), many developing countries’ civil services have experienced a fall in real wages since the decades of adjustment (Klitgaard, 1997; Lienert, 1998; Schiavo-Campo, 1998). For example, a study found that in 1985 the base civil service salary rate at the “highest grade” was 4 per cent of what it was in 1975 in Somalia, 16 per cent in Sierra Leone, 19 per cent in Tanzania, and 22 per cent in Nigeria (Robinson, 1990; quoted in Klitgaard, 1997). More recent data on Africa indicate a steady deterioration in public service pay in some francophone countries during the 1990s, combined with a consistently egalitarian character of the pay system in these countries, as indicated by a comparatively low salary decompression ratio – that is, the ratio between top and lowest salaries. This is an important attribute of a pay structure, a low ratio indicating a commitment to an egalitarian pay structure, one that minimizes the pay differential between the higher and lower echelons of the public service. Top salary levels in countries with low decompression ratios (such as in Senegal, where it fell from 3.8 in 1992 to 3.0 in 2000) are too



low to keep professionals in the public service (Kiragu et al., 2004). The so-called Washington model of employment reform advocates the reduction of the number of civil servants in order to increase the wages of those who survive, and particularly of senior and specialist staff (McCourt, 2000). Salary decompression has been included in initial reforms in countries such as Ethiopia and Mozambique, which had previously socialist “wage equalization” policies (Lienert, 1998). Yet, in countries such as Ghana and Zambia, real salaries generally continued to drop through the 1990s despite recurring, almost annual, nominally large salary increases that the strong trade unions achieved by persistently pressuring the governments (Kiragu et al., 2004). Note also that civil servants are generally paid less than their private sector equivalents; however, the public-private sector wage differential varies greatly between countries (Lienert, 1998; Schiavo-Campo, 1998).

As pointed by Klitgaard (1997: 494), “[u]nder such conditions, it is not surprising that so many capacity building projects discover that as soon as public servants are trained to higher skill levels, they depart to the private sector. Nor is it surprising that key technical posts go unfilled. With such poor incentives, many projects report underperformance due to an inability to get and motivate competent local staff.” Insufficient salaries and related demotivation are also often argued to partly explain deviant or predatory behavior, weak performance, resistance to reforms and various coping strategies on the part of civil servants (e.g. Van Lerberghe et al., 2002). This probably relates to the issue of fairness we have briefly presented in Section 2: as long as civil servants believe they are unfairly treated, one should expect to witness dysfunctional behaviors on their part, such as absenteeism and corruption.

The public sector pay bill is a strategic variable in most countries’ macro-economic policies (Marsden, 1993). Part of the explanation for the fall in civil servants’ real wages lies in the ceiling on total wage bills imposed by international financial institutions or regional agreements (e.g. convergence criteria in the West African Economic and Monetary Union), combined with a tendency of governments to expand public employment for (low grade) civil servants for patronage purpose. If the principle of setting a limit on the wage bill is justified, it is more and more argued that such ceilings are excessively low and should be relaxed in order to enable paying more and better public service providers, as explained in the box below.

#### **Box 1: Wage bill caps and the case for teachers**

Some developing countries are subject to budgetary restrictions on the total wage bill, sometimes imposed as conditionality by international financial institutions. Based on such an overall constraint, the Ministry of Finance (MoF) may set specific “caps” on the number of teachers that can be hired. However, the criteria used in setting the ceilings often remain unclear and rarely rest on an assessment of the number of teachers needed to ensure quality education considering rising enrolment rates in schools.

A study on wages in Malawi, Mozambique and Sierra Leone shows that the wage bill ceiling have not been designed for increasing staffing and pay in priority sectors such as education, and their main impact has been to prevent or slow the recruitment of new workers. While it is in the best position to determine how many teachers are needed, in none of the three case studies was the Ministry of Education directly involved in setting the wage bill ceiling; rather it was simply told, after the decision had been taken, how many new teachers could be hired. Consequently, wage bill ceilings are too low to allow the government to hire the teachers needed to achieve the pupil-teacher ratio of 40:1 recommended by international standards; there is considerable evidence that the current ceilings compromise the quality of education in each of these countries (ActionAid, 2007).

Wage bill ceilings are far from being the only problem prevailing in the pay structure in most countries, which also suffer from opaque remuneration systems; unclear link between pay and responsibilities, as well as between pay and performance; and insufficient pay to retain employees with scarce skills (McCourt, 2000). All in all, in many countries, there is an urgent need to increase remuneration – most of all for professional, technical and managerial positions (Lienert, 1998) – and to generally better design incentives for civil servants, be it on an individual or collective (organizational) level. There is no blueprint solution to do so, and various options are discussed below.

### 3.1 Comprehensive pay reforms

The scope, scale, and organization of public sectors vary greatly among countries around the world, and so do the pay and job classification systems, as well as the mechanisms for setting pay. Key themes emerging in pay policy reforms in OECD countries include attempts to introduce a greater degree of sensitivity to local labor market conditions, to adapt pay systems to new management methods, and to alter the basis of motivation in pay by means of performance-related pay (Marsden, 1993). Many developing countries have also tried to undertake global civil service pay reforms. Kiragu et al. (2004) examines the tactics, techniques, sequencing, and politics of pay policy in eight African countries, and reckon that public service pay is a complex and extremely political issue. It is intertwined with the politics of resource mobilization and (re)allocation, and it involves many institutional actors whose nature, role, and strength deserve attention. In particular, the donor community and the trade unions of workers have been identified by that study as major forces supporting (or blocking) pay reforms. As for the design and implementation strategies of pay reforms, a plethora of tactics and techniques have been observed, which Kiragu et al. (2004) have linked to models of pay decision-making as shown in Table 3 below.<sup>13</sup>

<sup>13</sup> Note that the emergence of technically rational models of pay reform in the study countries is relatively recent; however, this school has a narrow perspective of public service issues and tends to oversimplify the consequences of the decisions made, especially in terms of how they are experienced or perceived by various interest groups.

**Table 3: Three major categories of models, policy orientations, and decision-making models**

| Model category       | Main policy concerns  | Pay decision making models  |
|----------------------|---|---|
| Technically rational | <ul style="list-style-type: none"> <li>- Productivity of the workers</li> <li>- Ability to recruit, retain, and motivate skilled workers</li> <li>- Fairness of the compensation system</li> <li>- Transparency of pay structure</li> <li>- Affordability of the wage bill</li> </ul> | <ol style="list-style-type: none"> <li>1. Performance-based</li> <li>2. Market-benchmarking</li> <li>3. Job evaluation and re-grading</li> <li>4. Wage bill and employment rationalization</li> </ol> |
| Politically rational | <ul style="list-style-type: none"> <li>- As above but moderated by political considerations</li> <li>- In some countries, egalitarianism</li> </ul>   | <ol style="list-style-type: none"> <li>5. Corporation</li> <li>6. Salary indexation</li> <li>7. Cost of living cum egalitarian</li> </ol>   |
| Politically reactive | <ul style="list-style-type: none"> <li>- None that is conscious or coherent</li> <li>- In some countries, regime survival</li> </ul>  | <ol style="list-style-type: none"> <li>8. Pressure-driven patronage</li> </ol>  |

Source: Kiragu et al. (2004: 121)

### 3.2 Differentiated wages for categories of workers

Reforming public pay systems in order to better adjust to the market and provide right incentives poses difficult problems because of the existence of a large number of employees on strongly inter-linked rates (Marsden, 1993).<sup>14</sup> While a global, across-the-board pay rise may be desirable to reach a sense of fairness on the part of civil servants, comprehensive pay reforms may be costly and difficult to implement in the first place, so that alternative measures may be taken in the short run. A possibility is to differentiate wages by targeting certain categories of personnel. For instance, in the 1990's in Burkina Faso and Senegal, real salaries declined for all groups, but governments increasingly used allowances and in-kind benefits to raise pay for a few categories of workers such as teachers, health workers and magistrates. But these decisions seem to have been highly political: apparently the trade unions of these groups had pressured the government into this action; at the same time, the public service elite also awarded itself more allowances and in-kind benefits, so that only those public servants in politically weak or disadvantaged categories bore the full brunt of the decline in real salaries (Kiragu et al., 2004: 111).

When a comprehensive pay reform is too difficult to implement, another potential solution may be to delink salaries from civil service payroll, for instance by creating autonomous agencies

Yet, any country initiating pay reform needs to understand and appreciate the nature of the political system, its social structure, and the nature and strength of the power centers (Kiragu et al., 2004).

<sup>14</sup> The advantage of a single set of scales is presumably that it helps create a single identity for public service employees, and it facilitates deployment of staff between regions and between functions. It does, however, presuppose a somewhat homogeneous workforce and a high degree of stability over time in the skill content of different types of work (Marsden, 1993).





with management freedom and specific organizational incentives. However, this is often opposed by trade unions, fearing to lose extra advantages of civil service such as job security and retirement allowances. Some examples exist anyway, with mixed results, as shown below.

#### **Box 2: The Ugandan Revenue Authority**

The Ugandan Revenue Authority (URA) has been given semi-autonomous status, which permitted donors to provide salary top-ups. In 1993, URA salaries were reported to be between eight and nine times higher than in other public bodies, though staff lost other benefits available to civil servants; by 2000, the salary gap with the civil service had reduced to a differential of four to five times on account of inflation. De-linking the URA from civil service pay and the desire to recruit highly motivated professional senior managers were reflected in significant differentials between the top and bottom grades, with a compression ratio above 30. While creating strong incentives for senior managers, disparities on this scale were a probable cause of discontent at lower levels and resentment from officials from other bodies, as well as a factor in the subsequent growth of corruption in the organization. The initial impact of the creation of the URA on levels of tax collection was impressive; yet, despite early success, the URA has consistently failed to meet annual revenue targets (Robinson, 2006).

A fairer and more effective way of providing financial incentives without de-linking workers from civil service is to provide special premiums based on objective criteria, especially for motivating civil servants to work in remote and poor areas. Large and relatively under-populated low-income countries encounter serious difficulties in ensuring the availability of public service providers – especially qualified ones – countrywide, because staff prefers being located in large cities. Therefore, allowing monetary premiums and other advantages for workers effectively posted in difficult areas may be a powerful incentive. This has been experimented with success in various Western African countries such as Mauritania, Senegal, Mali and Niger, which experience similar shortages of technical health staff outside capitals and large cities. After classifying difficult areas according to objective factors such as remoteness, isolation, poverty and security levels, special premiums have been introduced (often with support from one or several donors) in order to induce staff into working in these areas. Such systems are quite new but results so far are encouraging (e.g. Diop and Paul, 2007; Samaké et al., 2009; Workforce Alliance).

### **3.3 Performance-based incentives**

The low levels of salaries are only part of the story; incentives are also weak in the sense that often good performance is not rewarded and bad performance is not punished (Klitgaard, 1997: 494). In order to motivate workers to perform better, some authors have recommended introducing “high-powered” incentives in the public sector, in the form of pay-for-performance based on objective measures of performance (outputs or outcomes). However, this is not exempt from risks, and the debate over the appropriateness of pay-for-performance is raging.



Linking pay to objective performance measures may potentially improve workers' revenues, motivation and results, especially in contexts where general wage increases are difficult to envisage, and improving public service delivery is a concern. Performance incentives may also have positive effects beyond the strict "mechanistic" effect on material motivation – that of clarifying goals and having workers being aware of the importance of performing (Robinson, 2007). Besides, performance-based pay schemes are likely to attract most performing workers. However, the introduction of performance-based incentives deserves caution because of the informational and risk problems pointed in Section 2. Special features of developing countries may indeed reinforce the difficulty to find an appropriate measure of performance; as a byproduct, output measurement problems may exacerbate perverse behavioral responses such as distorting effort to easily measurable dimensions of performance (e.g. focusing on rewarded tasks at the expenses of others, privileging quantity over quality, neglecting maintenance of assets, etc.) and manipulating data to game the system. Besides, as high powered incentives transfer risks to workers in case of uncertainty due to uncontrollable external factors, providing a high portion of remuneration in the form of performance premiums may not be acceptable for workers – all the more since incentive schemes are generally ineffective in unstable situations. All in all, performance-based schemes should obviously be designed in such a way as to balance increased performance with *total* cost (including costs of information, supervision, and performance premiums). However, to our knowledge, no performance-based incentive scheme has been subject to such a cost-effectiveness analysis. Moreover, as pay-for-performance schemes have so far often been limited to experimentation and not generalized, using financial incentives may be prohibitively costly considering developing countries' cash constraint.<sup>15</sup>

Despite their risks and limitations, some experiences of high-powered financial incentives in developing countries have been successful. For instance, the introduction of pay-for-performance in tax collection authorities has been suggested as a way to increase workers' motivation and hence performance, and to reduce rent-seeking behavior. An assessment of a major incentive reform instituted in 1989 by the Brazilian tax collection authority finds that the growth in fines per inspection after the reform was about 75% above what it would have been without it; however, there was substantial heterogeneity in the impact of the reform across tax regions (Kahn et al., 2001). Performance-based payment is notably increasingly advocated as a way to improve health system performance in low-income countries, as explained below.

### Box 3: Performance-based incentives in the health sector

<sup>15</sup> In practice, the "variable" part of remuneration attributable to performance incentives is generally low. One may question whether the setting up and running of a performance-based scheme is worth, compared to expected benefits.





Performance-based payment in the health sector is generally introduced as an element of broader service contracting reforms. No unified model has still emerged, but evidence from low-income countries such as Cambodia, Afghanistan and Haiti shows that performance-based financing can improve health service delivery more successfully than traditional input financing mechanisms (Loevinsohn and Harding, 2005; USAID, 2007).

A countrywide performance-based pay initiative has been introduced by the Rwandan government since 2001, and gradually implemented throughout the country since 2005. This initiative links measurable indicators with financial incentives for health workers who are paid according to their actual performance, rather than fixed bonuses. Positive changes have been achieved in the delivery of the essential health package indicators, and health worker income has increased by nearly 25% (Logie et al., 2008).

Such schemes generally comprise both individual financial incentives and other incentives, such as enhanced training opportunities for staff and material grants for the facility. However, despite pay-for-performance is praised by some authors on the basis of a few experiments – and promoted by some donors in other parts of the world – consistent evidence on the (comparative) success of performance-based incentives is lacking, especially with respect to potential perverse effects and cost-effectiveness of incentive schemes.

When *objective* measures of performance are not available or are too biased, one can also consider paying staff on the basis of a subjective performance assessment – that is, ratings by peers or supervisors that are intended to capture aspects of the workers’ contribution to the agency which are hard to measure. This is for instance the case in Singapore, where the civil service introduced in 1983 a Potential Appraisal System (borrowed from a private petroleum company) to appraise senior civil servants for promotion and development process (Vallance, 1999). The use of bonuses based on performance appraisals (together with other incentives) is now more and more used in Singapore, as explained below.

#### **Box 4: Civil Service Pay in Singapore**

In Singapore, civil service salaries are commensurate with those offered by the private sector. Significant social prestige attaches to employment in the higher ranks of the civil service and senior staff is richly rewarded for its efforts, with civil service salaries being amongst the highest in the world. Perhaps as a consequence, corruption among civil servants occurs infrequently (Vallance, 1999).

The Singapore Civil Service has a flexible wage system, comprising fixed and variable components in the monthly and annual salaries, which allows the government to respond appropriately to the economic and market conditions, and to link pay to performance. Civil service pay is an “all-cash” wage – departing from the past practice of providing a variety of allowances, free housing, and free medical benefits – which enables civil servants to enjoy greater freedom and full flexibility using their salary. The civil



service conducts periodic salary reviews to maintain market competitiveness. It is also progressing from a seniority-based system of fixed annual increment to a system where an individual's annual increment quantum depending on his potential and performance assessment. Apart from the monthly salary, the civil service's annual salary package also includes the following components:

- A Performance Bonus that is a variable component paid annually, the amount of which depends on work performance;
- A Merit Increment that is responsive to market conditions and differentiated by performance;
- Special Bonuses (among which an Annual Variable Component) that are paid according to the economic conditions of Singapore (source: Singapore Civil Service Website: <http://www.vog.gov.sg/data/staticcontent/Salary.htm>).

Note that beyond day-to-day provision of services, performance-based payment may also be targeted to reform managers, as illustrated below.

#### **Box 5: The *Selective Accelerated Salary Enhancement (SASE)* program in Tanzania**

The government of Tanzania has implemented an ambitious program of medium term pay reform strategy, comprising salary increases of about 8% per year for all civil servants; coupled with a short-term incentive scheme targeted on personnel with the greatest impact on service delivery and managers in charge of wider reform efforts, the *Selective Accelerated Salary Enhancement (SASE)*. SASE was implemented in four departments which each developed own mechanisms for selecting eligible nominees on the basis of objective criteria. The latter signed performance agreements that serve as the basis for determining acceptable performance, and are appraised annually, using an objective assessment system. The difference in salaries between normal and SASE salaries were initially financed by a pool of donors.

SASE encountered initial implementation difficulties and it was delayed; the program ran somewhat contrary to the socialist tradition and caused resentment among some categories of civil servants; the Government was also unable to conduct performance reviews and adhere to the envisaged annual salary adjustments. Nevertheless, despite these problems, SASE is considered as a success story as evaluations show that it had positive effects on beneficiaries' performance, motivation and will to develop their own capacities (Kiragu, 2005; UNDP, 2006; Yambesi, 2006).

Nevertheless, note that individual performance-based incentives may not be appropriate when service providers work in teams (e.g. in the health sector), because it may be difficult to isolate the contribution of any single individual to team output, and because salary differences may impact negatively on team cooperation (for instance, if incentives are provided in a competitive way), especially in egalitarian societies prevailing in many low-income countries. Therefore, service provision necessitating teamwork should rely on team- or agency-level rather than



individual incentives.<sup>16</sup> However, designing effective group incentives is difficult; it can work only if individuals feel adequately rewarded for their efforts and if the “free-rider” problem – which occurs when one reduces her own effort while expecting the others will do their best to get the premium – is avoided. Limited evidence on financial group incentives in developed countries shows that much depends on the production process and the organization of the teams (Ratto et al., 2002).

To sum up, what appears critical is to carefully design performance-based incentive schemes and adapt them to the context, notably with respect to the existence (and cost) of reliable performance measures, the cost of alternative pay schemes (including supervision), the organization of work (tasks necessitating teamwork should be associated with agency-level rather than individual incentives), as well as the prevailing culture as for work habits, the initial degree of non-materialistic motivations,<sup>17</sup> and the degree of egalitarianism of society.

### 3.4 The issue of per diems

A measure commonly used to bypass wage caps and other budget constraints preventing substantial increases in civil service pay is the resort to salary top-ups, notably under the form of per diems. However, the practice has generalized over time and now brings about many perverse incentive effects such as diverting aid resources for patronage purpose (e.g. Smith, 2003) or distorting efforts towards activities accompanied by per diems (workshops, etc.) at the expense of day-to-day service provision, thus weakening administrative capacity to provide services and lead reforms on a continuous and coherent basis. In some countries, it is now hardly possible to get civil servants do their job without giving them per diems. In addition to behavioral effects, the total amount of per diems and top-ups may considerably weigh on projects’ and the government’s operational budget.

A basic interpretation of incentive theory suggests that the “multi-tasking” problem facing civil servants could be solved by paying them to do their supposed job (e.g. service provision or management) instead of paying them to do something else (e.g. attending superfluous seminars). In theory, this could be attained with zero budget impact by substituting correct incentives (be it wages, area allowance or performance premiums) for the estimated total amount of per diems. This rationale was at the heart of a health project in Senegal, as explained in the box below.

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<sup>16</sup> Yet, as teams and agencies are comprised of individuals, the motivational impact of agency-level incentives must act upon individual incentives in some way (Paul and Robinson, 2007: 330-331).

<sup>17</sup> When civil servants believe themselves to be the victims of serious pay injustice, attempts to introduce pay-for-performance are likely to be misunderstood. For example, the pilot introduction by a donor of performance premiums for health workers in a Senegalese region ended up as being considered as a (legitimate) increase in salary, with absolutely no connection to any consideration for performance. It even spread over in other regions as a claim for a general increase in salaries (Diop and Paul, 2007).

#### **Box 6: Substituting performance premiums for per diems**

A few years ago, a donor tested a project aimed at responding to the combined problems of high turnover and absenteeism of health staff in a poor region of Senegal, by providing them with performance premiums – while suppressing the use of per diems. Despite the fact that the principle was good, the project failed to reach its objectives for a series of reasons, notably because it was too narrow in scope (it concerned only one administrative region for a short period of time), was not owned by national constituencies, the evaluation system was too complicated and not accepted by workers used to egalitarian treatments. At the beginning of the project, the region attracted many workers because of higher revenues due to performance premiums; but staff continued to attend seminars in other regions so as to also get per diems. A few years later, they even turned away as they preferred the ancient system (Paul and Diop, 2007). This example illustrates that it is vain to introduce a micro-system without taking account of the broad incentive environment. However, if introduced at national level with good ownership and better designed with due attention to the local culture, such a system could be an interesting way of providing civil servants with right incentives.

#### **4. Motivating Civil Servants through Non-financial Incentives**

As explained, non-materialistic sources of motivation may also be powerful to motivate workers – especially in the public sector. They may be mobilized through individual or organizational-level incentives. As for the latter, many contemporary approaches to managing for results subscribe to the view that a fundamental tool for improving agency performance is “the explicit specification of objectives, the measurement of performance against those objectives, and the setting of performance targets” (Paul and Robinson, 2007: 330). More generally, human resource management is a complex matter and resorts to a series of tools pertaining among others to the recruitment policy, promotions, career paths, training, control and evaluation, in addition to (present and delayed) remuneration. Strong financial incentives may sometimes not be recommendable at all: in some instances, generous salaries can generate perverse incentives without contributing to enhanced motivation and performance on a sustained basis (Robinson, 2006). Some human resource managers even argue that workers should be given a salary that is sufficient (to be considered as fair) – but above a certain level, motivation for performance should be induced by other types of incentives (Herzberg, 1968).<sup>18</sup> As Kohn (1998) puts it, “Pay people well. Pay people fairly. And then do everything in your power to take people’s minds off of money.”

<sup>18</sup> Herzberg (1968) believes that the factors involved in producing job satisfaction (and motivation) are separate and distinct from the factors that lead to job dissatisfaction. The author argues that motivator factors are intrinsic to the job (for example, achievement, recognition, the work itself, and responsibility), while dissatisfaction-avoidance (or hygiene) factors are extrinsic to the job (for example, supervision, interpersonal relationships, working conditions, and salary).



First note that materialistic motivation can also be mobilized by non-financial incentives, in particular working conditions. Civil servants in many developing countries, especially those working in poor and remote areas, often complain that inadequate working equipment, work overload and difficult environment considerably undermine their motivation (e.g. Zinnen et al., 2009; Samaké et al., 2009). A first way of mobilizing workers – which does not fall under wage caps – could thus be relaxing environmental de-motivating factors. This is a factor that has also been identified to fight provider absence from the workplace, as shown below.

#### **Box 7: Fighting public provider absenteeism**

Provider absenteeism is a high waste of resources and considerably hampers public service provision in many developing countries. Chaudhury et al. (2006) report the results of a study relying on unannounced visits to primary schools and health clinics in six countries. The study finds that a high proportion of teachers (about 19 percent average across the surveyed countries) and most of all health staff (35 percent) were absent the day of the visit. Data shows little evidence that pay strongly affects provider absence; by contrast, it shows evidence suggesting a role for the quality of infrastructure and working conditions (notably the availability of potable water) in influencing provider absenteeism. One of the strategies identified for tentatively reducing absence rests on improving the existing civil service system through a range of possible interventions such as upgrading facility infrastructure and constructing housing (which would involve extra budget outlays, but would not require politically difficult fundamental changes in systems), increasing the frequency and bite of inspections, or changing incentive structures (which may be more politically difficult to implement because of resistance on the part of workers).

Mobilizing non-materialistic motivations is probably particularly important in developing countries, where they may be weak from the start for instance due to bad working conditions and a devalorization of civil service following structural adjustment programs. Improving work norms, professional ethics, and public service motivation through human resource management initiatives appears to be essential. For instance, Rauch and Evans (2000) show that meritocratic recruitment is a statistically significant determinant of bureaucratic performance in less-developed countries. Other factors appear particularly adapted for enhancing intrinsic motivation – e.g. enriching tasks and improving working conditions – and for promoting ethical values and public service motivation – e.g., elaborating codes of conduct, fostering training and mentoring to ethics, reducing red tape, undertaking reform that clarifies goals and empowers employees, etc. (see Moynihan and Pandey, 2007; UNDP, 2007). The box below provides an interesting example of how civil servants' non-materialistic motivation may be mobilized.

#### **Box 8: The Honor Awards Program in the Filipino civil service**



The Filipino Civil Service Commission (CSC) runs an annual Honor Awards Program (HAP) that recognizes government officials and employees who have displayed outstanding work performance. The conferment of honor awards aims to motivate or inspire government employees to improve the quality of their performance and instill deeper involvement in public service. The HAP comprises two main categories of awards:

- *Awards for Outstanding Work Performance*: two types of awards are conferred to individuals or groups of individual for exceptional or extraordinary contributions resulting from an idea or performance that directly benefited more than one department of the government or even had nationwide impact on public interest, security and patrimony;
- *An Award for Exemplary Conduct and Ethical Behavior* that is conferred to individuals for consistent demonstration of exemplary ethical behavior on the basis of his/her observance of the eight norms of behavior stated in the “Code of Conduct and Ethical Standards for Public Officials and Employees” – that is, commitment to public interest, professionalism, justness and sincerity, political neutrality, responsiveness to the public, nationalism and patriotism, democracy, and simple living.

Source: The Official Web Site of the Philippine Civil Service Commission: <http://www.csc.gov.ph/cscweb/HAP.html>

Acting on social motivation by organizing peer reviews and practice exchanges is also very promising to increase motivation as well as performance, especially in traditional societies with strong social norms, as illustrated in the box below.

#### **Box 9: Motivating rural physicians for community health in Mali**

Mali encounters many difficulties in stabilizing and motivating qualified health staff to work in rural and poor regions. Fifteen years ago, several partners initiated a program aimed at creating and supporting a national association of rural physicians (*Médecins de campagne*) adhering to the principles of a Charter to provide quality health care at an affordable cost. A mechanism of quality improvement was established and the experience is very successful. Various incentives are provided to young physicians accepting to be posted in rural health centers, encompassing both financial and non-financial motivators such as an installation kit, a solar panel, a motorbike, an initial training in rural medicine, and regular follow-up. The belonging to an association and related practice exchanges, as well as social recognition by the community and public authorities have been identified as major factors for reducing professional isolation and motivating physicians. Regular seminars, trainings, research-action and professional tutoring also enable improving the quality of care (Coulibaly et al., 2007).

Note that among other factors, leadership is acknowledged as a crucial factor for mobilizing non-materialistic motivations, driving change and innovation, fostering reform and sustaining capacity development (e.g. Lopes and Theisohn, 2003; Gilley et al., 2008, 2009).<sup>19</sup>

<sup>19</sup> Gilley et al. (2009) show that motivating employees and providing effective communications are highly and significantly associated with effective implementation of change. Predictors of individual motivation, including job satisfaction, perceived equity, and organizational commitment, are primarily realized through the work





Another important aspect that may influence motivation and capacity development is supervision. Nevertheless, cognitive studies show that the perception of external interventions affects individual motivations: when workers perceive them as controlling of their behavior, this has a negative effect on intrinsic motivation – while interventions perceived as informational (for example, as an indicator of a worker’s competence) tend to increase intrinsic motivation (e.g. Deci, 1971). Supervision should therefore be as much as possible designed as an informative intervention, as illustrated below.

#### **Box 10: Supportive supervision of health workers**

The World Health Report 2006 (WHO, 2006) reckons that supportive yet firm – and fair – supervision, especially coupled with audit and feedback to staff, is one of the most effective instruments available to improve the competence and performance of many types of health workers. However, it states that “When it does take place, the nature of the supervision is important. If supervisory visits become sterile administrative events, or are seen as fault-finding and punitive, they have little positive effect and may have negative effects. In contrast, supervision that is supportive, educational and consistent and helps to solve specific problems, can improve performance, job satisfaction and motivation” (WHO, 2006: 75).

Finally, a coherent incentive system must complement “positive” motivators with a credible and fair risk of sanction in case of misbehavior. However, civil services in some developing countries crucially lack an adequate system of sanctions and the “culture of non-punishment” which is prevalent is due to various factors such as the absence of a functional and independent judicial system, the low work norms in place, the close-knit nature of society which precludes harming other members of one’s social network – together with the risk of reciprocal punishment in case the worker you punish today becomes your boss the day after. Therefore, sanction threats may become meaningless in practice. In this environment, increasing transparency and resorting on civic scrutiny (“voice”) may be crucial for improving incentives for public officials, supporting reform and increasing accountability, motivation and performance (Paul and Dabla-Norris, 2006; Russell-Einhorn, 2007).

## **5. Conclusions**

Motivating civil servants for performance, capacity development and reform is far from being a straightforward issue and no blueprint solution can be advised, all the more since developing country contexts are varied, complex and sometimes very different from those of Western countries, on which the bulk of literature has been written. Incentive schemes should be designed on a case-by-case manner after careful assessment of the initial situation, and should

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environment. Therefore, a leader’s ability to cultivate a work environment that augments employee motivation proves critical.



often be implemented on an incremental basis with short-term solutions targeted on some categories of staff. This paper explored a range of incentives that may be combined, according to local constraints and specificities, to form a coherent incentive system. Such a system should comprise both carrots and sticks (positive motivators and sanctions) and mobilize all types of motivations – materialistic or not (Paul and Robinson, 2007). Moreover, while motivation lies within individuals, incentives may pertain to all three levels of capacity – that is, individuals, organizations, and the enabling environment (UNDP, 2006, 2009). This paper has provided multiple examples of how factors pertaining to these three levels may impact upon civil servants' motivation.

Individual incentives are often low-powered in the public sector, mainly because of the difficulty to find appropriate objective performance measures to which linking remuneration, as well as risks of distortions and importance of teamwork. However, pay may be linked to performance to some extent in some sectors, provided appropriate measures are taken to mitigate potential risks (e.g. quality checks). Non-financial incentives may also be much needed in many developing country contexts, especially regarding the improvement of working conditions (so as to foster intrinsic motivation), peer pressure, practice exchange (which is also a crucial element for capacity development) and the development of work ethics. These may be combined in order to ensure workers globally feel fairly treated and are thus dedicated to their job. When public services are produced by teams of workers, incentives should preferably be designed at agency level in order to ensure collaboration.

When a comprehensive pay and incentive reform is not possible in the short run, special incentive schemes may be targeted to some categories of individuals (e.g. those accepting to be posted in remote and poor areas, or reform managers) or organizations (e.g. special premiums for priority sectors, or de-linking agencies from the civil service). However, this should be considered with caution, especially in egalitarian societies, and a balance should be reached between increased incentives, social acceptance and financial sustainability. Temporary measures (such as SASE in Tanzania) may be a good way to foster reforms while ensuring a progressive adaptation of the whole civil service. Facility-level performance incentives (e.g. special trainings for staff or additional material granted to performing facilities) may also be preferable to individual financial incentives when teamwork is important.

The global environment is obviously the level at which it is most difficult to act; yet, it often imposes constraints on lower-level incentives, and may foster or hamper reforms. Specificities of low-income countries (such as lack of performance data and supervision capacities, wage bill caps, culture of non-punishment and acceptance of corruption) add further constraints on possible incentive schemes. The global environment should therefore be carefully assessed when introducing a change in the incentive system in order to identify main constraints and potential leverages. Finally, it should be kept in mind that reducing disincentives that favor non-





conducive behavior can often be more useful than introducing new incentives; and that motivators should be considered only insofar their potential benefits outweigh their total costs.

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