PUBLIC SECTOR RESPONSES TO THE GLOBAL CRISIS

NEW CHALLENGES FOR POLITICS AND PUBLIC MANAGEMENT
Does the Economy Matter? Tough Times, Good Times, Public Service Motivation and Work Effort

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INTRODUCTION

One of the pressing questions in PSM research is whether PSM is a stable, enduring trait or a malleable psychological state (Wright and Grant 2010). PSM has been examined as a relatively stable individual difference variable that has its origins in an employee’s early and formative experiences (Perry 1996; Perry et al. 2008). In more recent times, it has been suggested that PSM may also be manifested as a more transient psychological state, with situational factors potentially causing employees to adopt a more or less PSM orientation in a given context or at a given point in time (Moynihan and Pandey 2006; Perry 2000). It begs the question whether one of these situational factors includes the broader economic environment. Studies on the situational antecedents of PSM have largely focused on organizational features (Taylor 2008). To date, no research has tested the influence of perceived external economic conditions on employees’ PSM and its relationship with employees’ performance.

The state of a country’s economy can affect employment opportunities and conditions (Freeman 1987), which can affect employees’ perceptions of their career. The issue of changing career boundaries of employees, from a ‘job-for-life’ career to a ‘boundaryless career’ (Arthur and Rousseau 1996) characterized by ‘sequences of job opportunities that go beyond the boundaries of single employment settings’ (DeFillippi and Arthur 1994: 320) is commonly attributed to changing external conditions, such as deregulation and global competition. If individuals’ attitudes towards their career and work preferences are shaped by their perceptions of labor market factors, particularly employment opportunities (Taylor 2005), then it is conceivable that changes in economic conditions can lead to changes in the employees’ priorities at work.

This research examines whether perceptions of external economic conditions have a significant impact on employees’ PSM and their willingness to raise their performance at
work. Two other individual interests are also examined: an interest in high pay and an interest in job security. Unlike PSM which is ‘other’-oriented, these two attributes are more extrinsic in nature. These two attributes – pay and job security – are chosen for two reasons. First, they are common employment incentives. People usually seek employment to earn an income. In addition, government jobs traditionally offered life-time job security. Although this trend no longer applies today, public sector jobs are generally perceived to offer more job security than private sector jobs (Luechinger et al. 2008). It is thus possible for some individuals to join the public service because of the importance placed to either or both of these attributes. Second, this study is conducted in a Malaysian public institution, where the employment conditions are characterized by wages that are above private sector wages and life-time job security. If many individuals join this Malaysian public institution largely due to their attraction to these attributes, then this PSM study on the influence of the economy should also consider the impact of the economy on their interests in these extrinsic attributes.

Specifically, this study will address three questions: (1) Do employees’ interest in furthering the common good, high pay, and job security rise, drop, or remain unchanged under different economic scenarios?; (2) Do employees’ willingness to work hard rise, drop, or remained unchanged under different economic scenarios?; and (3) Does the economic condition moderate the relationship between the importance employees place on these attributes and their willingness to perform at work?

SIGNIFICANCE OF THE ECONOMY ON EMPLOYMENT

The external environment in the form of the economic cycle largely affects employment opportunities through the public sector budget. The public sector budget is recognized as a major determinant of the creation of employment opportunities. As pointed out by Freeman (1987: 203), ‘Yes, public sector wages and employment respond to economic conditions’. 
This implies that a downturn in economic activities will influence the government revenue stream, which constrains the capacity of the government to recruit more employees and retain their existing number of employees. An obvious recent example is the 2007-2011 global financial crisis (GFC) which saw significant job losses in the US public service as a result of the implementation of austerity measures to cope with declining revenue streams.

In particular, Okun’s (1962) law establishes an inverse relationship between gross domestic product (GDP) and unemployment. Using US data for 1947-1960, Okun (1962) reported that an increase in unemployment by 1 percent was associated with a 3.3 percent decline in GDP growth rate. In other words, in order to reduce unemployment by 1 percentage point, GDP has to grow at a rate of 3.3 percent. Since Okun’s (1962) original publication, the inverse relationship between GDP and unemployment in developed countries is supported in numerous studies (Freeman 2000; Lee 2000; Mankiw 2000; Gordon 2003).

A poor economy in terms of a high unemployment rate can also contribute to a reduction in the wellbeing of employees. Using life satisfaction and happiness as proxies for individual welfare, Luechinger et al. (2008) analysed data from the 1984-2004 German Socio-Economic Panel for West Germany and found that the wellbeing of employees was sensitive to fluctuations in unemployment rates. They also reported similar findings using cross-sectional data from the General Social Survey for the US and the Eurobarometer for member countries of the European Union. They stated that high unemployment rates decreased the wellbeing of all employees, not just those who had been laid off but also those who continued to be employed. For the latter group of employees, the fear of being unemployed in the near future lowers their wellbeing (Clark and Oswald 1994). The downsizing of the public service, notably the austerity packages implemented in response to the GFC is likely to heighten the fear of job loss. The economic insecurity caused by high unemployment rates is reported to affect the wellbeing of employees more than the
externalities of high unemployment rates, such as higher crime and tax rates (Luechinger et al. 2008). In short, the economy’s ability to shape labor market conditions, particularly employment opportunities, may affect employees’ attitudes and actions at work.

**EFFECTS OF THE ECONOMY**

**Public service motivation**

There are two possible outcomes for PSM under unfavorable economic conditions. On one hand, PSM levels may rise. Witnessing human sufferings may encourage some individuals to adopt a stronger ‘other’ orientation. This could be experienced through the social context of work or the interpersonal interactions that are involved in and influenced by the jobs that employees perform (Grant and Parker 2009). In his 2007 conceptual framework on the relational architecture of jobs, Grant proposed that two relational job characteristics can motivate employees to do good for service recipients. The first is a job that provides opportunities for employees to have a positive impact on service recipients (Hackman and Oldham 1976). The second is a job that provides opportunities for employees to have contact with service recipients (Gutek et al. 1999; Kanfer 2009). If a core purpose of public service jobs is to make a positive difference in people’s lives (Perry 2000), then this purpose can become more pronounced during tough economic times. As the demand for public services rise, government employees are likely to interact with more service recipients and in turn face more opportunities to witness and obtain feedback about the significant impact of their actions on the well-being of other people. Stronger connections by employees to the impact of their actions on service recipients can raise their PSM levels.

On the other hand, PSM levels may fall during an economic downturn. America’s *The Chronicle of Philanthropy* reported that charitable donations by wealthy Americans dropped by US$31 billion during the GFC between 2007 and 2009 (Hall 2012). It is possible for some
individuals to become more inward-looking and self-interested as they personally struggle to cope under tough economic times. Their PSM may drop as they become more preoccupied with looking after themselves and their loved ones over helping the wider community. Drawing from Maslow’s (1943) hierarchy of needs, it is possible for the lower order physiological needs (e.g., food) and safety needs (e.g., financial security) to take precedence over the higher order needs (esteem and self-actualization) during this period. Safety and survival needs may override public service motives during tough economic times.

Organizational experiences could also affect PSM levels. Although public demand for government services is likely to rise in tough times, which increases opportunities for public employees to pursue the common good, it is equally likely that this demand will exceed the capacity of government services, particularly with the implementation of austerity measures. Public employees who interact directly with citizens generally face some constraints in fulfilling their expectations in their daily work that are attributed to factors beyond their control, ranging from insufficient resources to the institutional characteristics of the job, such as burdensome rules that frustrate them in achieving their goals or red tape. Red tape, for example, has been reported to reduce PSM (Moynihan and Pandey 2007). These constraints may increase during tough times. In response to declining revenue streams, governments may cut some public services or become more selective in their provision of services to members of the public. The latter can involve introducing cumbersome rules and procedures on how the service is to be provided, including who qualifies and who is not eligible for assistance. These measures can potentially reduce PSM as they can discourage employees from believing that they are serving the public good.

PSM may also fall because of emotional labor. Emotional labor involves employees’ efforts to display appropriate emotions as they interact with service recipients. Managing the expression of emotions or surface acting is inversely related to PSM (Hsieh et al. 2012). This
implies that employees who perceive a divergence between what they feel and what they believe they must express in order to get the job done are likely to report lower PSM levels than those who see no conflict between their feelings and expression. For example, the tension between employees’ frustrations with being incapable of helping a beneficiary at a level they perceive the beneficiary deserves because of constraints (e.g., increased workload and red tape), and their conformance to organizational expectations of impassive emotional displays when interacting with the beneficiary may cause a drop in PSM level. If tough economic conditions are characterized by high job demands coupled with low control and poor support by the organization, emotion regulation requirements, and difficult, frustrating interactions with service recipients as service demands exceed organizational and employees’ capacities, then PSM may drop.

Conversely, PSM levels may rise during good times. Turning back to Maslow’s (1943) hierarchy of needs, favorable economic conditions provide individuals with more opportunities to satisfy their lower level physiological and safety needs. When individuals perceive that these basic needs are met, they are likely to turn their attention to pursuing the higher order needs of helping others. Although the amounts did not reach pre-recession levels, charitable donations in America rose as the economy improved in 2011 (Chaudhuri 2012). In addition, if government agencies are better resourced under favorable than unfavorable economic situations, then with more resources under a strong economy, government employees are likely to be better equipped or in a better position to do good. Contacts with service recipients are likely to provide them with access to feedback on the positive effects of their actions on the recipients, and feedback about how to best do their job (Humphrey et al. 2007; Grandey and Diamond 2010), both of which allow them to experience their work as more meaningful. Based on the relational job design theory, their PSM levels may rise. This leads to the expectation that
H1: PSM levels will rise during favorable economic conditions and decline during unfavorable economic conditions.

Wages

Economic cycles can affect wages. At the peak of the economic cycle, assuming full employment, organizations are expected to compete with each other for employees, which is likely to push up wages (Akerlof 1982; Shapiro and Stiglitz 1984; Krueger and Summers 1986). This trend of high wages is also supported by the efficiency wage theories which propose that paying employees above the market clearing rate will raise employee productivity (Solow 1979; Westley and Schmidt 2006; Danthine and Kurmann 2007).

Conversely, high unemployment rates can push down wages as employees compete with each other for scarce jobs. Although the efficiency wage models advocate paying employees a wage rate that is higher than the market rate, when the unemployment rate reaches a sufficiently high level, organizations can refrain from setting wages that are higher than the external prevailing wage level. In choosing the optimum wage level, organizations know that employees have a reservation wage. The reservation wage is the wage rate that employees believe they should be paid for their contributions to the organization. This reservation rate is largely derived from the employees' observation of the external wage rate. The equity theory indicates that employees' use of referents, such as the wages of employees in comparable jobs outside their organization, can affect their views of their wages (Adams 1965). Under strong economic conditions, the external wage is likely to be high, which can cause the reservation wage to be high (Layard et al. 1991). In times of high unemployment, the market wage rate can drop when unemployed workers are willing to work for lower wages, and this can reduce the reservation wage. Based on the literature review, access to higher wages is more likely to occur during low than high unemployment rates.
It is, however, important to point out the unique context of the Malaysian public sector wages. The 1969 racial crisis in Malaysia, which was caused by wide income disparities between two ethnic groups – the Malay majority and the relatively wealthy Chinese minority – saw the need for the government to increase employment opportunities for the Malays through the expansion of the Malaysian public sector. The government was convinced that the creation of better employment opportunities for Malays would facilitate racial harmony in the country. More than 95 percent of Malaysian government employees are Malays (Taylor 2007).

The role that the public sector plays in creating more jobs for Malays also extends to wage-setting. All employees in public institutions, from public universities to government departments, receive similar wage rates for their job level. Importantly, public sector wages act as the wage setter in the country; public sector wages influence the wages set in other sectors; they are not affected by conditions in the labor market. According to Osman Rani and Salleh (1994: 221-222),

Par revisions in the public sector have a strong impact on wages in the private sector, especially in the middle and lower level occupational categories...what is important here is that prevailing labour market conditions are not important in adjusting public wages...As a result of these, public sector wages have become ‘downwardly rigid’ and have proven almost totally insensitive to prevailing labour market conditions.

On this basis, it is expected that the null hypothesis will apply in that

H2: The importance placed on high wages will be more or less similar during favorable economic conditions and unfavorable economic conditions.
Job security

Although an economic downturn is generally expected to raise employees’ economic insecurity and thus the importance attached to high job security, government jobs generally offer higher job security than private sector jobs. Compared to private sector employees, government employees usually have stricter dismissal protection and face a lower risk of their organization’s bankruptcy (Luechinger et al. 2008). The fact that queues for government jobs become longer during a recession (Krueger 1988) would suggest that high unemployment rates reduce job security, which encourages people to seek more secure government jobs. In their study of American and European employees, Luechinger et al. (2008) found that the life satisfaction of private sector employees dropped more than that of public sector employees during high unemployment rates. They argued that government employees showed smaller changes in their wellbeing with changes in unemployment rates because of the higher job security in the public sector. Similarly, the fact that more risk-averse individuals have been reported to be attracted to public sector jobs more than private sector jobs (Barsky et al. 1997; Dohmen et al. 2005; Bonin et al. 2006) would suggest that government jobs generally offer more job security than those in other sectors.

Malaysian public sector employees are particularly protected from general economic shocks because of the existence of life-time job security in the public service. This implies that the importance attached to job security by government employees in Malaysia is unlikely to change considerably in response to fluctuations in the economy.

H3: The importance placed on high job security will be more or less similar during favorable economic conditions and unfavorable economic conditions.
Job performance

Employee job performance is normally differentiated into two facets: task performance or in-role behavior (IRB) and contextual performance or organizational citizenship behavior (OCB). Unlike IRB which covers the formal and prescribed activities that are central to any given job, OCB pertains to the employee’s contributions that support the social and psychological environment in which IRB takes place. OCB is thus different from IRB in at least three areas. First, OCB exceeds the minimum role requirements of a job, and represents self-initiated, spontaneous, or voluntary behavior that improves the social, psychological, organizational, and political contexts (Farh et al. 2004). Second, OCB is not explicitly recognized by the organization’s formal reward system. Although employees who engage in OCB may occasionally receive a tangible return such as a pay rise or a promotion, such returns are not contractually guaranteed by any policies; people who engage in OCB generally do not expect their contributions to follow any clear and definite path to formal rewards (Organ 1988). Third, OCB is a discretionary contribution by the employee and is not an enforceable requirement of the employee’s job description. Its omission is not typically punishable.

Whether job performance rises or falls during an economic downturn is unclear. Based on efficiency wage theories, job performance could rise because the fear of losing a well-paying job could motivate employees to increase their performance (Salop 1979; Stiglitz 1985). Economic insecurities due to high unemployment rates could increase employees’ willingness to put forth higher levels of effort. This explanation, however, is less likely to apply to this study sample because of the provision of high job security in the Malaysian public service.

Another possible outcome is for job performance to fall during tough economic times. The tasks of public service provision would suggest that the core goal of government
employees is to help others. Public service demands, however, usually exceed organizational and employees' capacities during an economic downturn because of cuts in public spending. This may cause some government employees to perceive that they can no longer make meaningful contributions to members of the public at a level that they desire. Employees who believe that they are handling citizens differently to what they ideally desire can experience psychological distress, guilt and performance anxiety (Grant and Campbell 2007). Their job performance can thus suffer. An economic upheaval also decreases life satisfaction (Luechinger et al. 2008), which could negatively affect performance at work.

Conversely, under an economic boom, when resources are less stretched, government employees are likely to face more opportunities to do meaningful work. Based on the relational job design theory, when jobs are designed to provide an opportunity to have a positive impact on and contact with service recipients, the employees would invest more time and energy in their assigned tasks (Grant 2007, 2008; Grant and Berg 2010). This ability to witness their positive contributions and receive positive feedback about their contributions from service recipients could increase their sense of self-efficacy (Bandura 1997), and in turn their motivation to raise their performance (Stajkovic and Luthans 1998). This is particularly important when they face complex tasks and/or when they have performance difficulties, which can cause them to doubt their personal efficacy (Stajkovic and Luthans 2001). This hypothesis on the positive relationship between the economy and job performance is subdivided into two to reflect the two dimensions of performance: IRB and OCB.

H4a: The willingness to engage in IRB will rise during favorable economic conditions and decline during unfavorable economic conditions.

H4b: The willingness to engage in OCB will rise during favorable economic conditions and decline during unfavorable economic conditions.
METHOD

We conducted a vignette study to assess whether employees' attitudes towards specific work attributes and performance change in response to changes in external economic conditions. Vignette studies provide 'short descriptions of a person or a social situation which contain precise references to what are thought to be the most important factors in the decision-making or judgment-making processes of respondents' (Alexander and Becker 1978: 94). A major issue with survey research is the ambiguity that arises when survey respondents are required to make judgments from abstract and limited information. The use of vignettes helps to make the information as concrete, detailed and realistic as possible. Vignettes are thus argued to be better than survey research because they (1) improve construct validity by encouraging the respondents to focus their attention on specific features of the research question or the stimuli; (2) provide standardized stimuli to all respondents, which enhance internal validity, measurement reliability and ease of replication; and (3) reduce social desirability (Alexander and Becker 1978; Wason et al. 2002).

Research setting, procedures and subjects

The vignette study was conducted in a Malaysian public university. The respondents consisted of administrative employees in the university. There is a standardized pay scale for all public employees in Malaysia. This implies that employees at similar levels across all public organizations in the country receive similar amounts of pay. The pay in the public sector is also higher than that in the private sector. In addition to a high pay, many Malaysian government jobs offer lifetime job security.

Data were collected in the following way. The research team approached a university representative for permission to conduct the vignette study. To meet research ethics requirements, the researchers had no direct contact with the sample; data collection was
conducted by an employee who was appointed by the university administration for this study. Hard copies of the questionnaire were randomly distributed to 130 university administrative employees. Most of the employees targeted were middle managers; no one above middle management was targeted. All respondents were provided with brief information about the study, the questionnaire and an envelope for the completed questionnaire. Anonymity was assured. They were completed the questionnaire in their own time and return the questionnaire in a sealed envelope with no identification tag by internal mail to the university contact.

In order to assess whether a change in economic condition would lead to a change in the value that the respondents place on certain work attributes and performance, all respondents were presented with three vignettes that briefly described three different hypothetical scenarios. They are characterized by (1) an omission of external economic condition; (2) a strong external economic condition (low unemployment rate); and (3) a poor external economic condition (high unemployment rate). Out of 130 employees approached, 100 returned the questionnaires. The response rate was 77 percent. All 100 respondents judged the three vignettes, making it a total of 300 vignettes. Our analyses are thus based on 300 vignettes.

A majority of the respondents were females (53%), university graduates (96%), middle managers (78%), and aged 25-34 years (69%). They had served in the public university for an average of 6.5 years.

**Measures**

Apart from the economic condition that was manipulated, each vignette required the respondents to address the same set of questions on their willingness to exert effort at work, PSM and the importance placed on high pay and job security. The independent variables
focused on the value of the following to the respondents: (1) performing public service (PSM), (2) receiving high pay, and (3) having high job security. The respondents’ PSM was measured with 11 items drawn from Kim et al.’s (2013) PSM scale that was designed to facilitate international research on PSM. The PSM variable measured the respondents’ (1) commitment to public values, or the value-based motives of PSM, which is related to personal beliefs or creeds (3 items); (2) compassion, or the identification motives of PSM, which covers affective bonding with identified objects, such as other members of a social category or of a political system (4 items); and (4) self-sacrifice, or the willingness to forgo tangible personal benefits for the intangible rewards derived from serving society (4 items).

All main study variables and their items are listed in the appendix.

The other two independent variables – the value of high pay and job security – were each measured with three items. The three items covered: (1) importance i.e. the importance the respondents placed on having access to the work attribute (high pay or job security); (2) desire i.e. their desire for the work attribute; and (3) want i.e. how much they wanted to receive the attribute. All responses were recorded using a 7-point Likert scale, ranging from 1 for ‘strongly disagree’ to 7 for ‘strongly agree’.

The dependent variables covered two main aspects of performance: in-role behavior (IRB) and organizational citizenship behavior (OCB). The IRB variable contained three items adapted from the IRB scale developed by Williams and Anderson (1999). The OCB variable covered three aspects of OCB: (1) impersonal OCB directed towards the larger organization (e.g., conscientiousness attendance at work) (2 items); (2) OCB directed at specific individuals (e.g., work colleagues) (1 item); and (3) change-oriented OCB or efforts to bring about improved procedures for doing one’s job and for the organization (2 items). The first two categories of OCB were measured with items that were adapted from Williams and Anderson’s (1999) scale on the same categories of OCB. The third category of OCB was
measured with items adapted from Vigoda-Gadot and Beeri’s (2012) change-oriented OCB scale. The Likert scale for the items, which measured the extent of the respondents’ effort, ranged from 1 for ‘no effort at all’ to 7 ‘maximum effort’.

Finally, there were a few control variables. At the level of each vignette, the respondents’ perceptions of the realism of the individual vignettes were controlled. According to Faia (1980), efforts should be made to ensure that the vignettes are realistic to the respondents. Respondents were asked to judge how realistic each vignette was on a scale from 1 for ‘very unrealistic’ to 5 for ‘very realistic’. The mean response was 3.7, which was close to ‘realistic’. At the level of each respondent, the following variables were controlled: gender (0 = male, 1 = female), age (0 = below 35 years, 1 = 35 and above), education (0 = below university undergraduate degree, 1 = university undergraduate degree and above), rank, and length of employment (in years).

**Analysis**

The main study scales were tested for convergent and discriminant validity. A confirmatory factor analysis (CFA) indicated a reasonable model fit, suggesting that the items generally converged on their respective latent variables and that each scale represented a distinct latent variable. The Root Mean Square Error of Approximation (RMSEA) of 0.05 was below the threshold of 0.08. The Standardized Root Mean Square Residual (SRMR) of 0.05 was at the 0.05 threshold. The Tucker Lewis Index (TLI) of 0.95, the Comparative Fit Index (CFI) of 0.97, and the Goodness of Fit Index (GFI) of 0.92 were above the threshold of 0.90. Discriminant validity was further demonstrated with no correlation between any pair of the latent variables greater than 0.71 (between IRB and OCB), as shown in table 1 in the next section. This implied that no measure shared more than 3/10\textsuperscript{th} of its variance with any other measure. Variance inflation factor tests also suggested that multi-collinearity was not an
issue, with no score exceeding 1.5. Further, Cronbach’s alpha values for the main variables were within acceptable limits, and ranged from 0.82 for PSM to 0.95 for IRB, as indicated in table 1.

RESULTS

Table 1 presents the descriptive statistics, reliability and correlations of the study variables. It shows two prominent findings. The first is that some of the main variables appeared to be significantly affected by different economic scenarios. The association between the economy and PSM was found to be positive. It suggests that the respondents tend to report higher PSM levels under positive economic conditions, and lower PSM levels under negative economic conditions. In contrast, the economic situation did not have a considerable impact on the importance placed on high pay and job security. Job performance was, however, found to be affected by the economy. Like PSM, the economic condition was positively linked to IRB and OCB. The respondents showed a higher willingness to raise their IRB and OCB levels under more favourable than unfavourable economic conditions.

< Insert Table 1 about here>

Table 2 presents the mean differences of the main variables under different economic scenarios. The results show that the economy had a significant impact on PSM, IRB and OCB. The mean values of these variables rose under a positive economic scenario to levels that were higher than the values reported when the economic condition was not taken into account (base level). Conversely, the mean values dropped during a negative economic condition to levels that were much lower than those reported at base level. The results for high pay did not follow this pattern. Under a favourable economic condition, the mean value
for high pay was higher than that reported when the economy was not considered (base level). Under an unfavourable economic condition, the mean value for high pay was higher than that reported under good economic times. This may explain why the t-test result of good versus bad economic conditions was insignificant for pay. The t-test results for pay and job security were insignificant; only those for PSM, IRB and OCB were found to be significant. The results support H1 for PSM, H2 for pay, H3 for job security, H4a for IRB and H4b for OCB.

<Insert Table 2 about here>

The second prominent feature of table 1 relates to the significant relationships. Two independent variables – PSM and job security— were positively associated with the dependent variables – IRB and OCB. The respondents who valued pursuing the common good and job security reported a greater willingness to raise their IRB and OCB levels. The respondents who emphasized high pay did not report a significant rise in their performance. The relationship between pay and OCB was, however, significant at the 10 percent level of significance.

Tables 3 and 4 present the regression results for IRB and OCB respectively. Model I shows the effects of the controls on each of the dependent variables (IRB and OCB). Model II presents the effects of the controls and independent variables on the dependent variable. Model III focuses on the interaction effects between each of the independent variables and the economy on the dependent variable.

Tables 3 and 4 present five prominent findings. First, the negative coefficient in the length of service variable suggests that the longer the respondents served in the university, the lower were their IRB and OCB levels. Second, the positive coefficient in the economy
variable implies that the respondents were more likely to show higher IRB and OCB levels under a strong economy than a poor economy. Third, the respondents who valued serving the common good and job security were found to report high IRB and OCB levels. The larger coefficient values of PSM, however, suggested that it had a larger impact on IRB and OCB than job security. Fourth, the impact of high pay on the respondents’ performance differed, depending upon whether IRB or OCB was measured. The respondents who valued high pay reported a stronger tendency to display lower IRB levels than those who did not value high pay. Their emphasis on high pay, however, did not have a significant impact on their OCB levels. Fifth, the economy was not found to have a moderating effect on the relationship between the extrinsic attributes (high pay and job security) and performance (IRB and OCB). PSM, however, interacted with the economy to affect performance. The economy appeared to weaken the positive association between PSM and IRB at the 10 percent level of significance. The economy also weakened the positive relationship between PSM and OCB at the five percent level of significance.

< Insert Table 3 about here>
< Insert Table 4 about here>

DISCUSSION

This research examines whether perceptions of external economic conditions have a significant impact on the importance that employees place on three work attributes – an interest to further the common good (PSM), an interest in high pay, and an interest in job security – and their willingness to raise their performance at work. It presents five findings.

First, the Malaysian respondents’ PSM was found to be affected by different economic scenarios. Favorable economic conditions caused a rise in the respondents’ PSM
levels, while unfavorable conditions led to a decline in the PSM levels. One possible explanation is that employees’ lower order physiological and safety needs are more likely to be satisfied under favorable than unfavorable conditions. The satisfaction of these lower order needs under good times allows them to devote more attention to pursuing the higher order needs of serving the public good. Conversely, during an economic downturn, with a reduction in economic fortunes, they may shift their attention back to meeting their lower order needs. It is also possible for public employees to doubt their ability to help others meaningfully during tough economic times because of the characteristic cutbacks in resources and support at the workplace. In short, a change in personal and work circumstances may explain a drop in their drive to further the common good during an economic downturn.

Second, different economic conditions did not cause a significant change in the importance that the respondents attached to high pay and job security. The economy also did not moderate the relationships between the importance that the respondents attached to these attributes and their performance (IRB and OCB). This is likely due to the standardized pay scheme across the public sector and the provision of lifetime job security to public employees in Malaysia. With high job security, the respondents were less likely to fear losing their highly-paid jobs (i.e. higher than an equivalent job in the private sector) during tough economic times. A standardized pay scale across the public sector also meant that they were less likely to perceive significant changes to their individual pay with a change in the economy.

Third, the economy had a positive impact on the Malaysian respondents’ job performance. Positive economic conditions caused a rise in the respondents’ willingness to raise their IRB and OCB levels at work, and negative conditions produced a drop in these levels. Different economic conditions are likely to affect public budgets and thus the level of
resources and support provided in public organizations. Improved support and resources under a booming economy can provide more opportunities for employees to witness their positive contributions and receive positive feedback about their contributions from service recipients, which could increase their sense of self-efficacy (Bandura 1997), and in turn their motivation to invest more time and energy in the assigned tasks or IRB (Stajkovic and Luthans 1998; Grant 2007; Grant and Berg 2010) and those that support the social and psychological environment at work or OCB.

Fourth, the respondents’ job performance (IRB and OCB) was found to be positively influenced by PSM and job security, but not high pay. The positive link between PSM and job performance supports previous research that employees who are motivated to do good are high performers at the workplace (Naff and Crum 1999; Alonso and Lewis 2001; Andersen and Serritzlew 2012; Belle 2012). Job security is an extrinsic workplace attribute that is highly valued by government workers (Kilpatrick et al. 1964; Rainey 2003; Frank and Lewis 2004), including those who show a preference for government jobs (Lewis and Frank 2002; Taylor 2005). It is thus likely to affect the work attitudes and behaviors of employees.

The impact of high pay on performance varied between IRB and OCB. High pay showed an inverse relationship with IRB but had no significant impact on OCB. The Malaysian respondents who reported a strong preference for high pay did not indicate a willingness to engage in high IRB and OCB levels. Efficiency wage theory dictates that paying employees above the market clearing rate or a wage premium guarantees maximum effort (Solow 1979; Shapiro and Stiglitz 1984). To set a wage premium or a wage rate that is slightly above the market clearing rate, the efficiency wage models maintain that organizations must consider the external wages. The Malaysian pay scale, however, does not comply with this efficiency wage proposition. Instead of following the market clearing wage, the Malaysian government sets and leads the wages in the country. It is likely that the
Malaysian government respondents are aware of this practice, which could explain why an interest in high pay is not equated with high performance.

In addition, the Malaysian public service recruits largely ethnic Malays as a development strategy to minimize racial tension and distribute income among various ethnic groups, especially to Malays in the country (Malaysia 1971). The former Prime Minister of the country, Dr Mahathir Mohamad, stated that the Malays are heavily dependent on the state for employment (Khoo 1994). The Malaysian public sector workforce, which is made up of 95 percent Malays, is also provided with lifetime job security. If paying a wage premium can raise the costs of shirking, as proposed by the efficiency wage theory (Yellen 1984), then the simultaneous provision of high job security, along with considerable employment dismissal protection would lower or nullify the costs of shirking. These two factors—the wage-setting role of the public service and high job security in the public service—may explain why high pay and performance fails to show a positive association.

Fifth, PSM was found to play a larger role than high pay and job security in affecting IRB and OCB. Using the International Social Survey Programme (ISSP) dataset of fifteen countries, from the US and Denmark, to Japan and Taiwan, Taylor and Taylor (2011) estimated that PSM drove government employees' effort to a larger degree than wages. This study supports their finding. It also shows that the effects of PSM on both IRB and OCB are larger than those of the highly valued job attribute of job security.

CONCLUSION

According to Perry (2000, p.480), 'A key to formalizing a theory of public-service motivation is an understanding of the environmental variables that shape individual preferences and motives'. Although Perry's (2000) statement was referring more to the sociohistorical context than the economy, there is a possibility that PSM could be influenced by broader economic
forces. At first glance, the suggestion that economic conditions can change PSM levels seems to contradict the very nature of PSM. If individuals are personally driven to serve the interests of others more than themselves, then how could the economy, which often influences extrinsic factors, such as employment and income, cause a change in PSM levels?

This study argues that the economy cycle is capable of making government employees’ public service values more or less salient because it changes their personal perceptions and experiences, including those with their service recipients. Under tough economic times, basic safety needs may predominate as they struggle to adjust to a change in their personal circumstances. The higher order needs of serving the public good may become less salient. In the workplace, cuts in government resources would generally make it more challenging for high PSM public employees to meaningfully help others. If these employees are handling service recipients differently to what they ideally desire, then their PSM levels can fall because they perceive that they are no longer able to make public service contributions at work. Clearly, ours is a preliminary study, and there remains a need for further research to confirm this study’s findings. Nonetheless, the results support the basic argument that the PSM levels of individuals are in a constant state of flux. PSM is a dynamic construct that is susceptible to external influences, including economic forces.

REFERENCES


Sector. *IZA Discussion Papers*, no. 3385. The Institute for the Study of Labor (IZA), Bonn.


Table 1: Correlation matrix

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Level of significance: † = p < .10; * = p < .05; ** = p < .01; *** = p < .001.
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Level of significance: † = p < .10; * = p < .05; ** = p < .01; *** = p < .001.
Table 3: Regression results: IRB

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<td>Job security x economy</td>
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</table>

| $R^2$                     | .13     | .40      | .42       |
| $F$                       | $4.19^{***}$ | $12.65^{***}$ | $10.38^{***}$ |

Level of significance: † = $p < .10$; * = $p < .05$; ** = $p < .01$; *** = $p < .001$. 
Table 4: Regression results: OCB

<table>
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<td>PSM x economy</td>
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<tr>
<td>Pay x economy</td>
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<tr>
<td>Job security x economy</td>
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</table>

R  | .12 | .31 | .33 |
F  | 3.60** | 8.31*** | 7.04*** |

Level of significance: † = p < .10; * = p < .05; ** = p < .01; *** = p < .001.
Appendix: Study variables and items

PSM (Kim et al. 2013)

- I think people should unselfishly help their community.
- Meaningful public service (making a positive difference in society) is very important to me.
- I would prefer seeing government officials do what is best for the whole community even if it harmed my personal interests.
- It is difficult for me to contain my feelings when I see people in distress.
- Most social programs are too vital to do without.
- I am often reminded by daily events how dependent we are on one another.
- To me, being Australian [or Malaysian, depending on the group of respondents] includes seeing to the welfare of others.
- Serving other citizens would give me a good feeling even if no one paid me for it.
- Making a difference in society means more to me than personal achievements.
- I think people should give back to society more than they get from it.
- I am prepared to make sacrifices for the good of society.

High pay

- I want to receive a salary that is higher than anyone whose work is similar to mine.
- It is important for me to receive a salary that is higher than anyone whose work is similar to mine.
- I desire a salary that is higher than anyone whose work is similar to mine.

Job security

- I want a high level of job security (job for life).
- It is important for me to have a high level of job security.
- I desire a high level of job security.

Job performance

IRB (Williams and Anderson 1999)

- How much effort do you exert in completing the tasks that are formally expected of you?
• How much effort do you exert in completing your assigned tasks?
• How much effort do you exert in completing the tasks that contribute to the achievement of your organizational goals?

OCB (Vigoda- Gadot and Beeri 2012; Williams and Anderson 1999)
• How much effort do you exert in helping other people in your organization (your work colleagues and superiors) with work-related problems even if you are not asked to do so? e.g., you help them because they have a heavy work load.
• How much effort do you exert in tasks that indicate that you responsibly participate in the life of your organization even if you are not specifically asked to do so? e.g., you attend meetings/functions that are not mandatory but are considered important.
• How much effort do you exert in conscientious acts that go beyond the minimum requirements of your organization? e.g., your attendance at work is above the norm, you do not take breaks at work, or you obey the rules even when no one is watching.
• How much effort do you exert in looking for improving how you complete your work? e.g., you think of ways to improve the procedures for doing your job.
• How much effort do you exert in improving how work is done in your unit/organization? e.g., you give constructive suggestions about more effective procedures for your work unit.