Rewards in public administration: 
A proposed classification

By Mario COCCIA † & Benati IGOR b

Abstract. Social and administrative sciences categorize rewards with some dimensions. However, these interpretative models seem to be elusive because they do not consider all the elements of rewards system within public administration. The goal of this paper is to suggest a new classification considering formality, tangibility and also legality in order to create a comprehensive interpretative model in public sector. This theoretical framework begins the process of clarifying and generalizing, as far as possible, the manifold elements of rewards system in public administration to lay a foundation for the development of more sophisticated taxonomies and theories directed to fruitful management implications.

Keywords. Monetary rewards, Compensation, Salary, Seat of power, Pay, Bribe, Reputation, Abuse of power.


1. Introduction

The research field of rewards in contemporary human resource management and administrative sciences is developed on behavioural research in psychology (Armstrong, 2007). These studies analyze how people react to rewards and what motivates them to work in organizations (Reif, 1975). In general, the concept of rewards is associated with the concept of motivation, which indicates the forces that energize, direct and sustain behaviour of individuals (Perry & Porter, 1982). Rewards systems in organizations are processes, policies and strategies to motivate subjects to achieve strategic goals and enhance the productivity and efficiency of organizations (Armstrong, 2007; Reif, 1975). In public administration, appropriate rewards can enhance motivation and performance of civil servants (cf., Aberbach et al., 1981; Wittmer, 1991). A complete rewards strategy in public organizations should achieve two goals:

- motivate performance of individuals
- support job satisfaction and commitment

In public administration studies, the research field of reward management has the general purpose of designing best practices of remuneration to support performance of individuals and efficiency of organizations. This approach in the USA is called the New Pay (Schuster & Zingheim 1992).

In this context, the study and classification of rewards are a central and enduring research theme in public administration to support theoretical and analytical studies and appropriate management implications in organizations (cf., Hood et al., 2002; Coccia, 2006). In particular, scholars of public administration...
have analyzed many elements and characteristics of rewards and also organized them in classifications and/or taxonomies (Hood & Peters, 1994; cf., Armstrong & Murlis, 2004; Armstrong & Stephens, 2005; Mitchell, 1982; Coccia, 2001). In science, although the concepts of “classification” and “taxonomy” are almost synonyms, they have different meaning. The term taxonomy (from ancient Greek word taxon=arrangement, array) refers to a branch of systematics based on the theory and practice of producing classification schemes with the aim of maximizing the differences among groups. Thus, a taxonomic process provides rules on how to form and represent groups in classifications. Instead, classification is the product of the taxonomic process that represents classes of entities with a matrix, or a table, or a dendrogram, etc. (McKelvey, 1982). Taxonomy has usefulness in natural and social sciences if it is able to reduce the complexity of the population studied into simple classes, which are represented by a classification. Specifically, social sciences have two general approaches to create a classification: the empirical and theoretical one (Rich, 1992; Doty & Glick, 1994). Theoretical classifications in social sciences begin by developing a theory of differences, which then results in a classification of typologies. The empirical approach begins by gathering data about the entities under study that are then processed using statistical techniques to produce groups with measures of similarity, such as Euclidean distance (Coccia, 2006).

The subject matter of this study here is taxonomy of rewards in public administration. Some studies of public administration categorize some typologies of rewards (Hood & Peters, 1994; Gkorezis & Panagiotis, 2008) but a comprehensive taxonomy based on manifold dimensions of rewards systems is still hardly known.

This paper has two goals. The first is to propose a new taxonomy of rewards systems in public administration based on characteristics of legality, formality and tangibility. The second is to explain each single element of this taxonomy in relation to civil servants. Practical implications of this study are management practices directed to improve motivation of individuals and efficiency of institutions in public administration. Moreover, this study can encourage further theoretical and empirical explorations for the development of more sophisticated concepts and taxonomies in the domain of public organizations.

2. Theoretical framework

The term ‘reward’ comes from Middle English meed, mede (“reward, meed, recompense”). In the field of human resource management, the concepts of reward, compensation and remuneration are used interchangeably. In the USA the term compensation is used more than reward (White, 2016). In general, rewards are a system of elements to compensate performance of subjects and incentivize their motivation within organizations (Benati & Coccia, 2018). Rewards systems can include tangible elements (e.g., remuneration and other benefits) and intangible elements (e.g., reputation, job responsibility).

Specifically, rewards within public organizations have a powerful effect on performance, motivation, commitment and satisfaction of public officials and civil servants towards achieving strategic goals (Bowman, 2010; O’Reilly et al., 1991). A main element of the rewards systems is the pay that is given by organizations to employees for contribution to working toward the achievement of goals (Heneman & Judge, 2000; Milkovich & Newman, 2004). Pay is often used as an incentive for performance (Gardner et al., 2004) and as a mean to retain the best employees (Trevor et al., 1997; Heneman & Judge, 2000; Tekleab et al., 2005; Currall et al., 2005; Motowidlo, 1983; Vandenberghe & Tremblay, 2008). The effects of under reward, as expressed in justice theory (Heneman & Judge, 2000), have also received considerable attention in literature in order to demonstrate the behavioural implications of perceived injustice in reward allocation (Greenberg & Wiethoff, 2001). In fact, theory and empirical evidence suggest behavioural implications from pay satisfaction or dissatisfaction (Gerhart & Rynes, 2003).
Several features of public organizations affect reward systems. White (2016, p.3-4) identifies four characteristics. First, public accountability affects the design of reward systems since public servants are under the direct control of the government; their salaries are paid for through taxation and jobs are redirected to supply public services for the benefit of citizens and society. In fact, public sector provides services that tend to be public goods: they transcend commercial and economic goals and are aimed to “social utility that benefits all and excludes none” (Beszter, 2016, p.356). Second, public sector tends to be labour rather than capital intensive. As a matter of fact, the reduction of personnel in public organization can generate a reduction of the quantity and quality of public services. Third, as said, many public services can be a public good (being non-rivalrous and non-excludable) that generates local or national monopolies, or natural monopolies in specific sectors with high infrastructural costs, such as water and electricity. Public services have also market failures and need government regulation. Fourth, high level of union membership in the public services of many countries has generated centralized and bureaucratic approaches to reward design, determined through collective bargaining or statutory means. In fact, pay determination and reward systems for civil servants and bureaucrats are different from private sector because based on a national bargain, such as between trade unions and central government and/or specific departments. Finally, civil servants should be motivated by the concept of public service rather than income maximization. This feature influences the design of reward policies in public administration that are mainly based on career development, equity of treatment, recognition of service and loyalty rather than monetary incentives for high performance (Plant, 1993). Hence, in the public sector, reward system is bureaucratic with uniformity in pay progression systems. In fact, additional and variable pay ad personam have been very limited in public organizations, except in sector where there is a competition with the private sector, such as public broadcasting (cf., White, 2016). Benefits in public administration are also the provision of generous pension entitlement, though pay and pension determination methods for civil servants and bureaucrats vary considerably between countries.

White (2016) identifies three main ways of monetary reward changes in the European and US public sector: (1) changes in the method and locus of pay determination, (2) changes in grading and job classification, and (3) changes in pay progression systems.

In public administration studies, rewards can be categorized considering different characteristics.

- As far as the feature of *measurability* is concerned, rewards can be:
  - **Measurable** rewards are tangible elements measured through monetary units (e.g., pay) and/or other units of the metric system. Monetary rewards are effective if they are supported by better performance appraisal systems, but such systems are often inadequate in public organizations (Andersen & Pallesen, 2008). The impact of financial rewards on performance depends on positive price effect and on negative crowding-out effect. These effects of monetary rewards for civil servants can be weaker than private sector employees for two causes. Firstly, the public sector cannot offer substantial incentives similar to private sector, due to the institutional characteristics of public organizations. Secondly, civil servants tend to be more intrinsically motivated than private sector employees (Belle & Cantarelli, 2015, p.12ff). This result is consistent with the analysis by Weibel et al., (2010) that shows how the effect of financial incentives on performance is stronger with

\[\text{JSAS, 5(2), M. Coccia, & B. Igor, p.68-80.}\]

- **Unmeasurable** rewards are intangible elements difficult to measure, such as job responsibility, professionalism, etc. Perry & Porter (1982) and Rainey et al., (1976) argue that monetary rewards are less important than no pecuniary rewards. Some scholars state that: “less tangible rewards of praise and recognition have to be supplemented by more tangible ones” (Kernaghan, 2001, p.79).

Lincoln & Kalleberg (1990) have argued that the rewards offered by an organization may have a powerful effect on employees’ attitudes towards their job and the organization for which they work. Perry & Hondeghem (2008, p.vii) claim that: “people are selfish and altruistic and organizations need to use intrinsic as well as extrinsic incentives to motivate employees”. In this context, it is also important to distinguish between intrinsic and extrinsic rewards.

- **Intrinsic rewards** are those that exist in the job itself and give personal satisfaction to individuals, such as autonomy, recognition, expense preference (e.g., leeway to invest monetary resources), trust and empowerment. In particular, intrinsic rewards generate positive effects on job involvement, satisfaction and affective commitment (O’Driscoll & Randall, 1999).

- **Extrinsic rewards** are tangible and visible rewards given to individuals for achieving goals. They usually include elements, such as pay and fringe benefits, gifts, promotion or advancement opportunities, etc. within the organization. Studies have investigated whether and how extrinsic rewards undermine public employee motivation, generating a crowding-out effect that decreases their effort and performance (e.g., Georgellis et al., 2011; Weibel et al., 2010). Extrinsic rewards, based on contractual obligations, may be ineffectual and counterproductive in the public sector because when public servant’s effort has high-powered incentives with pay for performance, it can crowd out public service motivation (cf., Frey & Jegen, 2001; Francois, 2000).

O’Reilly et al., (1991) have suggested that intrinsic rewards may be more salient for affective commitment, job involvement and motivation of subjects in organizations, whereas extrinsic rewards are more likely to be important in relation to continuance commitment to the organization.

Frey & Jegen (2001) also show that extrinsic incentives (e.g., monetary rewards) can crowd out intrinsic motivation of individuals, resulting in lower organizational productivity. In fact, studies confirm that extrinsic rewards can reduce intrinsic motivation, such as Bénabou & Tirole (2003) show conditions under which explicit (high-powered) incentives rewards crowd out performance, compared to low-powered alternatives (cf., Langbein, 2010). Moreover, empirical evidence suggests that both extrinsic and intrinsic motivations can be effective in deterring corruption (cf., Georgellis et al., 2010; Houston, 2006; Ryan & Deci, 2000; Titmuss, 1970). In general, studies show that in mission-oriented organizations, extrinsic rewards crowd out intrinsic rewards (Hartwig, 2004; Frey, 1993, 1997; Frey & Oberholzer-Gee, 1997; Kreps, 1997). According to the insufficient justification effect (in which both intrinsic and extrinsic rewards are low), people may change their self-perception and claim that they do it for the intrinsic value of their job (Staw 1976; Liu & Tang, 2011).

Hood & Peters (1994) in this research field argue that rewards systems are characterized by two dimensions, formality and tangibility. The first dimension, *formality*, deals with the extent to which the rewards of office are officially sanctioned and transparent. The second dimension of rewards is *tangibility*, when
elements have a physical form that can be perceived and touched by subjects, vice versa is intangible (Benati & Coccia, 2018). These two dimensions of rewards systems generate a 2×2 matrix displaying each element in a cell, as represented in Figure 1 by Hood & Peters (1994, as quoted by Brans & Peters, 2012, p.4).

<table>
<thead>
<tr>
<th>Tangibility</th>
<th>Formal</th>
<th>Informal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible</td>
<td>Salary</td>
<td>Post-governmental employment</td>
</tr>
<tr>
<td>Intangible</td>
<td>Medals</td>
<td>Respect</td>
</tr>
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**Figure 1.** Dimensions of rewards by Hood & Peters (1994, as quoted by Brans & Peters, 2012, p.4)

3. **Towards a taxonomy and theory of rewards systems in public administration including legality**

The interpretative model by Hood & Peters (1994) and other classifications just mentioned include only legal elements of rewards systems. These models can also be integrated with the dimension of legality, allowing further categorizing the elements of rewards systems into legal and illegal, in order to detect good and bad practices in public sector (cf., Benati & Coccia, 2017; 2018). In fact, this study proposes a new classification of rewards system in public administration based on
taxonomic criteria of Legality, Formality and Tangibility. Figure 2 shows this classification with main elements of rewards systems in public administration.

*Description of the elements of the classification of rewards systems in public administration*

Rewards systems in public administration can be different across countries, because they include different combinations of elements that are described as follows, considering the dimension of legality and sub-dimensions of formality and tangibility (cf., Benati & Coccia, 2017; 2018).

Figure 2 shows, in the top section, the four elements of the legal rewards system in public organizations:

* Compensation is a formal and tangible element of legal rewards. This reward is extrinsic and measurable. Compensation can include basic categories: 
  a). Guaranteed pay – a fixed monetary reward paid by a government institution to bureaucrats and civil servants. The most common form of guaranteed pay is the base salary. Guaranteed pay also includes cash allowances (housing allowance, transport allowance, etc.), differentials (shift differentials, holiday differentials) and premiums (overtime, etc.).  
  b). Variable pay – non-fixed monetary reward paid by a government institution to civil servants – is contingent on discretion, performance, and/or results achieved;  
  c). Benefits are programs that a government institution uses to supplement civil servants’ compensation, such as paid time off, medical insurance, and more.  

Allowance is another formal and tangible element of legal rewards in public administration. An allowance is an amount of money given or allotted at regular intervals to particular civil servants for a specific purpose. The government institution supplying the allowance may put controls in place to make sure that the money is spent for that purpose only. Allowances may be travel expenses, daily allowance (also called ‘subsistence allowance’), general expenditure allowance, medical costs, end-of-term allowance, etc.

* Awards are a formal and intangible element of legal rewards. An award is something given to a person in recognition of their excellence and best performance in certain fields or positions. An award may be accompanied by trophy, title, certificate, commemorative plaque, medal, badge, pin, or ribbon. It may also simply be a public acknowledgment of excellence, without any tangible token or prize.  

Seat of power in public institutions may be also a formal and intangible element of legal rewards. Seats of power are desired roles and/or official positions leading to personal recognition, such as being a secretary of state, director, to have job responsibilities of key departments, etc.

* Post-government employment and Post-career positions are informal and tangible elements of legal rewards system. In fact, the technical expertise of bureaucrats and civil servants accumulated during their career in public sector may increase their attractiveness to private sector. For instance, a retired police official can work in private investigation companies, private security companies, etc.

* Reputation is an informal and intangible element of legal rewards for civil servants and bureaucrats. Reputation (from the Latin word reputationem, which means ‘consideration’) is the general belief or opinion held by other people regarding a person’s specific characteristics or abilities in certain public positions.  

In addition to legal rewards system, described above, other rewards elements in public administration may be illegal. These elements may generate benefits in terms of private interests of bureaucrats and civil servants, their families and friends. An example is that of financial interests. Figure 2 also includes, in the bottom section, the four elements of the illegal rewards system in public organization. Kwon (2012) suggests that bureaucrats and civil servants are led to corruption (and as a consequence to illegal rewards) partly because their public service efforts on the job are not properly rewarded extrinsically or intrinsically.

• Gifts may be a formal and tangible element of the illegal rewards system in public organizations. An illegal ‘gift’ can be anything of considerable monetary value.
value and/or and other items of high intrinsic value. A gift offered because of the employee’s official position may create an appearance of using public office for private gain. The latent aim of the donor is to receive preferential treatment as a result of the gift. Common illegal gifts to bureaucrats and civil servants are: expensive watches, jewellery, new cars, leisure travels, cheap or free renovation of private houses, houses sold at low prices, etc. However, items of little intrinsic value, such as modest refreshments or greeting cards, are not considered ‘illegal gifts’.

- Abuse of authority may be a formal and intangible element of the illegal rewards system. Abuse of authority is the use of legislated or otherwise authorized powers by government officials for illegitimate private gain. For criminal law, abuse of authority is an action performed by a subject who has been vested with public powers but that is opposite to the obligations imposed by law. In the form of corruption, it is the use of legislated powers for illegitimate private gain. In general, abuse of authority occurs when unsuperiors take advantage of their office and its powers against someone who is located in a situation of dependency or subordination or simply users of public services. A form of abuse of authority occurs when public officials who accede to a post or a function leverage the power granted to them by law to their own benefit (and/or simply for the sake of schadenfreude), and not to develop their public obligations properly.

- Bribes may be an informal and tangible element of the illegal rewards system for bureaucrats and civil servants. Bribery is the act of giving money or other forms of recompense to civil servants in exchange for an alteration of their behaviour (to the benefit/interest of the giver) that public servants would otherwise not alter. In short, it is a gift bestowed to influence the civil servants’ conduct. Kwon (2012) argues that when performance pay is strong, the bureaucrats and civil servants use their discretion to increase their public service performance rather than to pursue corruption.

- Abuse of power may be an informal and intangible element of the illegal rewards system for bureaucrats and civil servants. Abuse of power, in the form of ‘malfeasance in office’ or ‘official misconduct’, is the commission of an unlawful act done in an official capacity, which affects the performance of official duties. In addition, abuse of power leads individuals to exert pressures through their position on someone in a situation of subordination or in need, in order to gain private benefits and/or personal satisfaction that can be financial, work-related (e.g., hiring friends and/or relatives), sexual, and/or for the sake of schadenfreude, etc. Abusing of power can be also used to cover up the deed. Some examples are nepotism, taking money from a public fund, sexual affairs, etc.

Note that, depending on circumstances and laws of countries, in the presence of illegal rewards, a bureaucrat and/or civil servant may be imprisoned, fined, demoted, or dismissed for violating ethics provisions.

4. Discussion and concluding observations

Human behaviour can be directed through the selective deployment of rewards or sanctions (Simon, 1997). Individuals will perform best when the incentive system links rewards as closely as possible to performance. This thesis is also supported by behavioural management theory that pay-for-performance enhances personal efforts and individual performance (cf., Luthans & Kreitner 1985; Lehman & Geller 2004). In contrast to the standard approach of economics, psychological studies and self-determination theory argue that there are different types of motivations -extrinsic and intrinsic motivation associated with rewards system (Frey 1997; Deci & Ryan, 1985, 2002) -and that performance of intrinsically motivated tasks is harmed by pay for performance. In particular, intrinsic rewards can satisfy personal needs directly for those who perform the tasks (Frey & Jegen 2001; George 1992). Put otherwise, intrinsic rewards seem to be important drivers of civil servants (Francois 2000; Frank & Lewis 2004; Le
Moreover, studies show that performance-contingent rewards can generate different positive effects on performance of employees (Weibel et al., 2009). In general, the underlying concept to reward systems in public and private organization is the motivation that is a main driver of individuals by which they achieve goals to fulfill needs and expectations. These individual needs and expectations at work can be extrinsic, intrinsic, and social. When a person’s motivation is blocked before reaching a desired goal, the result is a frustration-induced behavior (Mullins, 1999).

In this context, the suggested taxonomy and theoretical framework described above can clarify the most appropriate typologies of the reward system for civil servants in public sector. However, the types of rewards applied in public organizations should be associated with appropriate theories of motivation, considering the motives that influence people’s behaviour at work. Put it differently, the taxonomy here, combined with theories of motivation, provide a theoretical framework to support best practices of management to work effectively in public organization and avoid the risk of corruption and illegal rewards. The theories of motivation to design and support reward system in public sector can be content and process theory.

Content theories focus on identifying people’s needs and their relative strengths, and the goals they pursue in order to satisfy the needs. This group of theories includes Maslow’s hierarchy of needs model; Alderfer’s modified need hierarchy model, Herzberg’s two factor theory and McClelland’s achievement motivation theory (cf., Mullins, 1993).

Process theories, instead, focus on process of motivation, such as relationships among variables that make up motivation, and how behaviour is initiated, directed and sustained. This group includes expectancy-based models, equity theory; goal theory and attribution theory. Overall, than public managers should analyze different typologies of rewards, combined with appropriate theories of motivation, to optimize the effects of reward strategies directed to support motivation and performance of specific civil servants and particular work situation. For instance, expectancy theory is the most appropriate one for rewards strategies of knowledge workers, such as in the public sector of higher education. This theory suggests a relation between rewards, the likelihood of earning those rewards and the realization of those rewards, if performance is delivered (Mullins, 1993, p.441).

On the basis of the theoretical framework presented above, the main elements of rewards systems in public administration, represented in Figure 2, can also be systematized and generalized in a utility function (in a legal setting). This function represents a useful conceptual model for analytical studies in different environments of public organizations.

The general utility function of rewards system (UFR) is given by:

\[ UFR = f( AL, C, PW, SP, R, PR, AW, EP, \ldots ) \]

AL=allowance; C=compensation; PW=power; SP=social position; R=reputation; PR=professionalism; AW=awards, EP=expense preference, etc.

This utility function can be applied in public administration studies considering appropriate measures of variables and general observations about specific elements of rewards systems as follows. Compensation is a core tangible and measurable element of legal rewards systems to support motivation and performance of subjects in the public sector. Scholars argue that the pay-for-performance applied to compensate and motivate public officials and civil servants can produce, by itself, only minimally productive performance in public sector (cf., Benati & Coccia, 2017). In fact, the literature suggests that performance-based pay rewards are only marginally related to public service satisfaction and motivation (Judge et al., 2010). In addition, pay-for-performance in public sector can produce hidden costs, such as corruption, over-justification effect or crowding-out effect and, as a consequence, it may negatively impact performance of civil servants and efficiency.
of institutions (Lepper & Greene, 1978). Wright (2007, p.60) also argues that: “the intrinsic rewards provided by the nature or function of the organization may be more important to public sector employees than—or compensate for the limited availability of—performance-related extrinsic rewards”. In short, the public sector has a low dependence from utilitarian (monetary) incentives and it is basic to find a balance between extrinsic rewards (e.g., pay) and intrinsic rewards to improve job satisfaction and reduce corruption (cf., Crewson, 1997, p.504; Perry et al., 2010; Rainey, 1982, Benati & Coccia, 2018).

Moreover, the value of a given reward is not absolute, but is relative to other rewards with which it is compared, for instance, money as reward per se does not lead to satisfaction (Greenberg & Ornstein, 1983). In fact, the crowding-out effect suggests that external incentives undermine intrinsic motivation (Frey & Jegen 2001). This crowding-out effect is one of the most important anomalies in the economics of rewards because raising economic incentives may reduce, rather than increase individual and organizational performance in the long run. Put it otherwise, intrinsic and (to a lesser extent) extrinsic rewards seem to be a predictor of job involvement, satisfaction and affective commitment, but not continuance commitment (cf., Perry et al., 2010; O’Driscoll & Randall, 2011). In this context, self-determination theory argues that performing a task in anticipation of a reward, under surveillance, or within a time limit leads to a decrease in intrinsic motivation (Deci et al., 1999).

Crewson (1997, pp.503-4) argues that: “Intrinsic rewards are more important to public employees than to those employed in the private sector”. Therefore, intrinsic rewards might be more important than extrinsic rewards in public organizations that seem to be driven by lower-powered incentive structures (Perry et al., 2010). In addition, the subjects in public administration may also be interested in other types of intangible rewards represented by schadenfreude, full control, illegal gifts, bribes, etc. because of manifold factors affecting human behavior (e.g., greed, etc.).

Overall, then, this taxonomy here can be a comprehensive model to explain and generalize many elements of rewards systems in public administration. These conclusions are tentative because the domain of rewards systems in public organizations includes a variety of elements associated with different cultures, civil laws and rules of law across countries. In particular, the role and function of bureaucrats and civil servants and, as a consequence the rewards systems, can change when considering Western or Eastern countries, more or less democratic nations, etc. Moreover, the boundaries between tangible and intangible elements, and/or legal and illegal elements of rewards systems between and within countries are not always clear, such as for gifts. Hence, the taxonomy presented here is adequate in some cases but less in others, due to diversity of rewards systems across nations and organizations over time and space.

In conclusion, future efforts in this research field will be directed to refine the taxonomy and provide statistical analyses of case studies and empirical evidence to better categorize and evaluate types of rewards between public organizations over time and space. However, identifying generalizable taxonomy and theory of rewards in the fields of public administration at the intersection of economics, sociology, management, behavioural psychology and perhaps biology is a non-trivial exercise.


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