# A comparative evaluation of the bilingualism bonus policy in the public administration

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# A comparative evaluation of the bilingualism bonus policy in the public administration*

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**Abstract**

This report is part of the project Institutional bilingualism in the ethnically mixed area of Slovenia, and aims to provide an in-depth evaluation of programmes promoting multilingualism in the public service. To this end, Chapter 1 analyses the functioning of such programmes in several Western countries whose public administrations and socio-economic conditions are closest to those in Slovenia, namely Belgium, Canada and Italy. Chapter 2 presents an up-to-date review of the literature on monetary incentive schemes used in the public sector to improve employee performance. After examining the peculiarities of public employees' motivation, and their connection to incentive theories, the report highlights the conditions under which the proposed incentive schemes are effective. Finally, Chapter 3 compares existing bilingualism incentive schemes and evaluates them on the basis of the literature on performance-related pay.

**Resumo**

Ĉi tiu raporto estas parto de la projekto Institucia dulingveco en la etne miksita regiono de Slovenio, kaj celas provizi profundan taksadon de programoj antaŭenigantaj multlingvecon en la publika servo. Tiucele ĉapitro 1 analizas la funkciadon de tiaj programoj en pluraj okcidentaj landoj, kies publikaj administracioj kaj sociekonomiaj kondiĉoj estas plej proksimaj al tiuj en Slovenio, nome Belgio, Kanado kaj Italio. Ĉapitro 2 prezentas ĝisdatan revizion de la literaturo pri monaj instigaj planoj uzataj en la publika sektoro por plibonigi la rendimenton de dungitoj. Post ekzamenado de la proprecoj de la instigo de publikaj dungitoj kaj ilia rilato al instigaj teorioj, la raporto reliefigas la kondiĉojn, laŭ kiuj la proponitaj instigaj planoj efikas. Fine, Ĉapitro 3 komparas ekzistantajn instigajn planojn de dulingveco kaj taksas ilin surbaze de la literaturo pri rendimento-rilata salajro.

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# 1. ADMINISTRATIVE BILINGUALISM AND INCENTIVES SYSTEMS IN WESTERN COUNTRIES

## 1.1 Belgium

Since the approval of the Law on Language Use in Administrative Affairs in 1966, the Belgian administration is organised in three regions – Flanders, Wallonia and Brussel region – and serves three monolingual communities – French, Flemish and German community (Hondeghem, 2011; Parlement fédéral belge, 1966; Van Herck & Vermandere, 2016). The communities are defined upon the existence of linguistic and cultural areas, namely Dutch, French and German ones, only partially overlapping with the regions, which considerably complicates the functioning of the Belgian public service.[1] Wallonia encompasses the French-speaking community and the small German-speaking community (mostly located in the Walloon canton of Eastern Belgium), Flanders is home of most of the Flemish speakers, and both Flemish and Walloon communities coexist in the region of Brussel. Furthermore, from 1970 to 2002 a devolution process gradually transferred more competencies from central to local levels, duplicating many administrative functions in each Belgian region (Hondeghem, 2011). Despite this institutional complexity, the same bureaucratic language regime applies to both federal and regional administrative levels.

The current language regime in Belgian public administration is rooted on the fundamental principles of *representativeness* at the lower level and *representation parity* at the upper level. Positions in the public sector are attached to a specific language between Dutch and French, and only individuals that are native in the assigned language can apply for, or be promoted to such position. For instance, only a Dutch-speaking Belgian can apply for a public job position labelled as Dutch. Once recruited, public employees are assigned to one of the two separate language registers and are regarded as *monolingual* in administrative terms, with the only exception of the bilingual region of Brussels, where they are required to be bilingual (Detant, 2001; Turgeon & Gagnon, 2013).[2] In accordance with the fundamental principles, within each administrative federal unit the share of positions allocated to each language group varies according to the hierarchical level considered. For lower hierarchical levels in the public administration, the share is determined on the basis of the estimated amount of work managed in each language by each department, which in turn depends on the language area of reference and the requests of individual users, in the cases provided by law. Conversely, the rule of language parity applies to top federal civil servants, from the position of director upwards, with 50% of the department's positions allocated to Dutch speakers and the remaining 50% to French speakers. Non-federal administrations are instead governed by partially different rules. The Brussels region requires public bodies to divide equally between the two language groups at least 50% of the vacant positions, irrespective of hierarchical level, with remaining ones subject to the principle of representativeness. In the regions of Flanders and Wallonia, administrations are essentially monolingual at all levels, in line with the principle of

[1] The official language of the Flemish region is Dutch, although the population speaks Flemish, a dialect continuum within the Dutch language. The standard language is regulated by a single authority, the Dutch Language Union (*Nederlandse Taalunie*), whose committee includes ministers of the Dutch and Flemish governments.

[2] Current norms do not provide for language representation for the small German-speaking community. Its members are assigned to the Dutch or French register based on their language of university education (Turgeon & Gagnon, 2013). The Belgian community counts 77,527 individuals, or 0.7% of the total population (Office belge de statistique, 2020).

representativeness, while cases of bilingualism are regulated by special rules for specific situations, geographical areas and hierarchical levels (Parlement fédéral belge, 1966; Turgeon & Gagnon, 2013). While the principle of representativeness aims to reflect the linguistic area served by the administrative unit, that of representation parity seeks to stabilise power relations between the country's two major language groups, reducing the effects of ethnolinguistic tensions on the functioning of the public service (Hondeghem, 2011).

Within this framework, the Law on Language Use in Administrative Affairs awards a *language bonus* only to civil servants that are either occupied in the bilingual region of Brussel or work in the federal government, and which use the second language in their job (Parlement fédéral belge, 1966; Van Herck & Vermandere, 2016). Bonus applicants have to prove their language proficiency (in Dutch or French) by taking a language test (the SELOR test) at the Federal Public Service Training Institute, or by certifying it on the basis of their diploma. The required level of language skills is determined by the position held and associated duties, and is defined in accordance with the European Framework of Reference for Languages (Parlement fédéral belge, 2001, 2017). Moreover, if an employee meets proficiency requirements for both French and Dutch, he is entitled to both language allowances, although the total amount of his cumulative bonus is in any case limited to 150% of the higher allowance. The bonus is added to the employee's monthly salary, and can range between €32.17 and €176.92 gross (€20 and €110 net), depending on the level of certified language proficiency (Fedweb Belgique-België, 2021; Ministère belge de la fonction publique, 2010; Service public fédéral Personnel et organisation, 2021; Van Herck & Vermandere, 2016). It is worth noting that, for those entitled to the language bonus, current legislation does not require subsequent assessment tests in order to retain it. French and Dutch online and in-person language training courses are offered by the Federal Public Service Training Institute, regional chambers of commerce and private bodies supported by the Walloon and Belgian communities (Federale Overheidsdienst Beleid en Ondersteuning, 2021; Service Public Fédéral Stratégie et Appui, 2021). Apparently, there is no financial or other support (e.g., workload reduction) for public servants following such courses (Ministère belge de la fonction publique, 2010; Région de Bruxelles-Capitale, 2021).

Overall, the Belgian bureaucratic language regime limits the administrative bilingualism (Dutch-French) to the federal level and the officially bilingual region of Brussels, while regional and local administrations are substantially monolingual. This means that, for instance, a French-speaking civil servant working for a federal government agency, using both Dutch and French in his job and holding a proficiency certificate in Dutch, would be eligible for a language bonus. On the other hand, a native French speaker working for a Walloon local government and fluent in Dutch could not apply for the same bonus. The allowance scheme involves achieving a language certificate that, once obtained, entitles the employee to receive a bonus added to his monthly salary, without further assessment. Official documents omit to say whether the language bonus is intended as *compensation* for the bilingual service of the officials involved or as an *incentive* to increase their knowledge and usage of Dutch and French. Therefore, it is not clear whether such language bonus aims to reward existing bilingualism efforts, or encourage an increase in bilingualism.[3]

[3] Van Herck and Vermandere find two online article news about the topic, which lead them to claim that the Belgian language bonus is *de facto* both a compensation and an incentive (2016).

## 1.2 Canada

In 1969, the first Official Language Act (OLA) set forth the equal status of English and French through the Canadian federal government and institutions. Passed about one century after the 1867 Constitution Act, which recognised English-French bilingualism in the Federal parliament and courts, the OLA aims to ensure that citizens can access to federal public services in the language of their choice in designated bilingual regions, established during 1970s. Initially limited to the languages used for service to the public, the OLA was later expanded to working languages used within federal institutions (Maltais, 2018). As a federal act, the OLA applies only to federal institutions, while Canadian provinces and territories have established their own language legislation. Although more than 8 out of 10 French Canadians reside in Quebec, French-speaking communities can be found across most of the Canadian federation (particularly in Ontario and New Brunswick), making bilingual access to federal services an important element of national language policies (Government of Canada, 2016).

While Canadian public administration intends to represent linguistic duality of the country – i.e., the existence of two linguistic majorities sharing the country, with further linguistic minorities across the nation – language quotas are strictly prohibited. Therefore, to encourage greater representation of historically underrepresented French-speaking civil servants, the federal government has made knowledge of both official languages (English and French) a merit factor in the recruitment process. Under the OLA and derived regulations, in bilingual regions both English and French are languages of work in federal public services and, since the early 1980s, most executive and managerial positions are designated bilingual (Borbey & Mendelsohn, 2017; Turgeon & Gagnon, 2013). Managers are in turn responsible for identifying the language requirements of job positions within their work unit, determining the need for the second language and its proficiency level. (Government of Canada, 2008, 2012; Office of the Commissioner of Official Languages, 2020). The levels have to meet the obligations and responsibilities of the position with regard to service provision, communication with the public, and the use of working languages (Maltais, 2018). The French Language Units (FLUs), introduced in 1971, were a further attempt to promote the access of francophones and use of French in the national Public Administration. Such units were set up in various federal departments and agencies, and recruited monolingual or bilingual francophones to encourage the development of French as a working language and help anglophones improving their skills in French. However, FLUs conflicted with the deep-rooted merit principle and the marked individual orientation of Canadian administration, and were opposed by both English-speaking trade unions, aiming to protect established interests, and French-speaking employees, fearing 'ghettoisation' and impediments to their careers. The FLUs were thus abandoned in the mid-1970s, leaving bilingual designation of positions as the main institutional tool for implementing administrative bilingualism (Gaspard, 2015).

Aside from accounting for language skills in the recruitment process, in 1967 the federal government introduced a *bilingualism bonus* to encourage the acquisition and use of second official language. This measure was only aimed at civil servants in the secretarial, stenographic and typing groups, and provided that those who worked in their second language at least 10% of the time

would receive a bilingualism bonus of 7% of their salary.[4] The federal government's initiative provoked protests from the trade unions, which demanded the extension of the bonus to all qualified federal civil servants. The major tensions that arose from this dispute, which included boycotts of services and institutional appeals by civil servants and the government itself, led in 1977 to the bilingualism allowance that is still in place today (Lecomte, 2018). The bonus has a gross annual amount of Canadian $800, and it is paid monthly to non-executive staff employed in bilingual positions, which today accounts for 43% of all federal positions , entailing a total annual cost to the Treasury of slightly more than $66 million (Borbey & Mendelsohn, 2017; Lecomte, 2018). To access the bilingual position, and so the bonus, employees are tested on their second language to verify that they meet the required levels of written comprehension, written expression and oral proficiency. For each of these language dimensions, results are classified in three different skill levels: A (lowest), B (intermediate), C (highest) (Government of Canada, 2021c; Maltais, 2018, p. 60). Language tests are developed by the federal administration to cover the *language profiles* of different job positions, that is, the level of proficiency required on the basis of the fulfilled tasks. Yet, recent surveys of federal staff report a widespread view that the tests are superficial and not focused on language skills functional to performed tasks (Borbey & Mendelsohn, 2017). The second language evaluation results expire after five years: however, if employees remains in the same role beyond five years, they are not compelled to reassess their skills. A consequence of not reassessing language proficiency is that some employees remain in bilingual positions, and receive the bonus, without necessarily having the skills required by the role (Maltais, 2018). The federal administration does not directly support its employees for language courses (e.g., financially or with flexible hours), but encourages them to undertake language training courses offered by a specific list of accredited providers (Government of Canada, 2021a, 2021b). According to Borbey et al., requirements and methods of language training are very heterogeneous among the different federal departments and agencies, and are left to the decisions of the managers of the each unit (2017).

Due to the distribution of French and English speakers across the nation, the Canadian federal language regime sets administrative bilingualism (English-French) through all the country, designing specific job positions as bilingual. The bonus system aims to increase the level of bilingualism among employees, and it is based on the achievement of a certain language level that, after passing the test, entitles eligible civil servants to an annual bonus. However, civil servants perceive the test as a formal fulfilment of the provisions of language policy, poorly designed and disconnected from the functional competencies required by their roles, that is, from their language profiles. Moreover, once the test is passed, employee's language proficiency is not further assessed for the same position, and the bonus is awarded permanently without further conditions. When carried out, further language training and its evaluation vary considerably between departments.

## 1.3 Italy

In 1999, the Italian parliament passed the law 482/1999, providing a unified legislative framework at the national level to the constitutional principle of protection of linguistic minorities (Costituzione Italiana, 1947, p. 9). The law recognises and explicitly lists a number of historical minority languages that deserve protection in their respective territories: Albanian, Croatian,

[4] A first compensation for proficiency in English and French had already been introduced in 1888, with an annual bonus of $50, albeit limited only to the ability to write in both languages (Lecomte, 2018, pp. 2, 10).

Catalan, Friulan, Franco-Provençal, French, German, Greek, Ladin, Occitan, Sardinian, and Slovenian.[5] In the field of public administration, the law recognises that these territories have: i) the right to publish state, regional and local acts in the minority language, although only acts in Italian language are legally binding; ii) the oral and written use of the minority language. These dispositions generate the need for civil servants that are able to use the minority language orally and in writing. To provide for this need, the same law created a National Fund for the Protection of Linguistic Minorities and additional funds, with an annual endowment of over than 2.8 million € to date (Dipartimento per gli Affari Regionali e le Autonomie, 2019; Parlamento italiano, 1999). Albeit such legislation applies to both *autonomous* regions and provinces and *ordinary* regions (and related local governments), only the former regions transpose national legislation into regional laws, with only a few exceptions among the latter ones (Regione del Veneto, 2021).[6]

Law 482/1999 does not, however, provide for the explicit introduction of incentives for administrative bilingualism, as these are already contained in laws and regulations of several autonomous regions and provinces. In fact, cooperating with the national government, such regions adopted bilingualism regulations and *bilingualism allowance schemes* long before the national regulatory framework of 1999 came into force. The earliest reference to administrative bilingualism appears in the first version of the Statute of Autonomy for Trentino-Alto Adige region of 1948. It guarantees German- and Ladin-speaking Italian citizens –almost entirely located in the Autonomous Province of Bolzano (hereinafter also referred to as Alto Adige) – the right to use their respective mother tongues with state, regional, and provincial public administrations, although it does not explicitly discusses how to implement bilingualism in practice (Parlamento italiano, 1948). With the approval of the second, more extensive Statute of Autonomy and related implementing rules, the legislator regulated administrative bilingualism in the Province of Bolzano both in normative and financial terms, building up a scheme still in force today. Vacant positions in public administration at all levels are offered to citizens according to their linguistic affiliation, proportionally to the size of the language groups themselves, following the so-called Ethnic Proportional Rule (*Proporzionale etnica*).[7] Language skills are assessed by the provincial administration through a language test based on an evaluation scale of four different proficiency levels, which in turn relate to the level of education required to enter a specific position: primary school, lower and upper secondary school, university (Parlamento italiano, 1972, 1976).[8] Language test results are valid for six years, but if the employee remains in the same position, no renewal is actually required. Importantly, rules implementing the Second Statute of Autonomy explicitly establish the payment of an Italian-German *bilingualism allowance*, determined according to the level obtained in the language test and the public function covered, later also including Ladin as a third language (Parlamento italiano, 1976). The language proficiency exam was partially modified following the intervention of the European Court of Justice, which required certificates issued by official bodies

[5] According to Law No 482/1999, the competent bodies in adopting provisions to protect linguistic minorities are (depending on the competence involved): municipalities, provincial councils and regions (1999).

[6] According to the Italian Constitution, the four autonomous regions are Aosta Valley, Friuli-Venezia Giulia, Sardinia, and Sicily. The two autonomous Provinces are Bolzano and Trento Province, part of the region Trentino-Alto Adige.

[7] The statements of Italian, German and Ladin linguistic affiliation are collected in the official Population Census in the Province of Bolzano.

[8] With the gradual increase in the average level of education all over Italy, the certificate of elementary language knowledge is now *de facto* obsolete.

for Italian and German language to be recognised as equivalent to the provincial exam, and adopting the levels of Common European Framework of Reference for Languages – CEFR (Alto Adige, 2010; European Council, 2001; Hell, 2010).

The scheme of language examination and bilingualism allowance introduced in the Province of Bolzano was later adopted also by other autonomous regions enforcing administrative bilingualism, with the notable exclusion of the Ethnic Proportional Rule. In Aosta Valley, civil servants obtain bilingualism allowance by passing a French language knowledge test, structured in levels and procedures almost identical to those mentioned above for Alto Adige. Regional law provides guidelines for the language proficiency test that depend on the administrative level of the employees. Once the proficiency test has been passed, bilingualism allowance is paid on a permanent basis, for the length of the employment period, without the need for subsequent checks to maintain the same certification level (Francione, 2010; Norme per l'attribuzione Dell'indennità Di Bilinguismo Al Personale Della Regione VDA, 1988).[9] The Friuli-Venezia Giulia region also recognises to its Slovenian-speaking citizens the right to employ Slovenian language in their relations with local and national Public Administration based in its territory (Norme per La Tutela Della Minoranza Linguistica Slovena Della Regione FVG, 2001). The assessment of Slovenian- or Italian-language skills and assignment of Italian-Slovenian bilingualism allowance explicitly follows the same scheme adopted in the Province of Bolzano, and likewise does not mention the need for subsequent verifications of skills in the second language (ARERAN, 2002, p. 123; Regione Friuli-Venezia Giulia, 2010). Only recently, the Autonomous Province of Trento (or Trentino) approved the introduction of administrative bilingualism in its territory, aiming at promoting its Ladin, Mocheno and Cimbrian minorities (Autorità per le Minoranze Linguistiche, 2020).[10] Although the Province of Trento refers to the second Statute of Autonomy of the Trentino-Alto Adige region, it does not include in its system the Ethnic Proportional Rule in force in Alto Adige. Instead, in its open-recruitment rankings, it grants priority to candidates (native or not) who demonstrate proficiency in minority languages and cultures with certificates issued by authorised Ladin, Cimbrian and Mocheno administrative and cultural institutions. While delegating the certification of language proficiency to these institutions, provincial legislation explicitly requires the tests to be based on the CEFR (Provincia Autonoma di Trento, 2015). The remaining autonomous regions – Sicily and Sardinia – have not yet adopted any administrative bilingualism schemes, although they are entitled to do so within the limits of the national legislation. In this perspective, the above-mentioned law 482/1999 intends to standardise the pre-existing regional regulations in a single legislative reference framework, eliciting possible extensions and limits of the administrative bilingualism in Italy.

Provinces and regions also organise or fund language training courses for their employees. On the basis of an agreement with the national government, the Province of Bolzano provides its employees with a € 50.00 voucher for each second language course (Italian, German or Ladin), which can be used only with accredited providers (Provincia Autonoma di Bolzano, 2021). In Aosta

[9] The rule applies to staff employed on a permanent contract. Under different contracts, language certification is valid for four years, and can be extended by means of language training courses offered by regional administration (Francione, 2010).

[10] Cimbrian and Mocheno are two languages belonging to the German-speaking area, in particular to the Bavarian region (Provincia Autonoma di Trento, 2021).

Valley, regional administration organises dedicated in-house French language training courses for civil servants (Francione, 2010). The Friuli-Venezia Giulia region also offers in-house language training for staff working in Slovenian through its Central Office for the Slovenian Language (Regione Friuli-Venezia Giulia, 2021). In Trentino, the Ladin, Cimbrian and Mocheno cultural institutes offer free language courses in their respective minority languages, funded by the Province of Trento through its Fund for the Protection of Local Linguistic Minorities (Istituto cimbro di Lucerna, 2021; Istituto culturale mocheno, 2021; Provincia Autonoma di Trento, 2015). Apparently, no province or region offers workload reductions or other forms of support for language training of their employees.

The amounts of bilingualism allowances are determined uniformly at the national level, also given the relative homogeneity of regional schemes, based on the 'Alto Adige model' of language assessment. At present, the gross increase in monthly salary of public employees due to bilingualism allowance is of €136.85 for an elementary level certificate, €151.97 for a lower secondary school level, €189.94 for an upper secondary school level, and €227.91 for a university level certificate (Parlamento italiano, 2009). The only exception in this incentive scheme is Trentino, which awards civil servants with certification and in positions requiring the systematic use of minority languages with a gross flat-rate allowance of €120.00 per year (APRAN, 2018).

From national and regional normative sources it emerges that the aim of allowance schemes in the public sector is both increasing bilingualism and recognising existing skills. The definition of language levels and corresponding allowances is given by the combination of the provincial legislation of Alto Adige, to which other regions refer, and national implementing regulations. However, similarly to the Belgian and Canadian cases already examined, Italian administrative bilingualism scheme does not provide for subsequent verification of the maintenance of language level achieved, with the sole exception of employees without a permanent contract in Aosta Valley (Francione, 2010).

# 2. INCENTIVE SYSTEMS AND THE PUBLIC SECTOR: A LITERATURE OVERVIEW

Scientific literature investigating performance improvement in the public sector comes from as different disciplines such as management, economics, and psychology. Management and psychological literature presented in Section 2.1 lays emphasis on the peculiar features of *intrinsic motivation* in the public service. While individual features and self-interest play a pivotal role in any organisational context, research highlights systemic differences in the inherent beliefs, values and attitudes of public and private employees (Koehler & Rainery, 2008; Perry et al., 2010; Perry & Wise, 1990; Vandenabeele, 2007). This substantial divergence calls for a different nature and structure of incentives to be used as an effective source of *extrinsic motivation* for civil servants, a subject that is increasingly emerging in the vast and diverse literature on incentives in the public sector.[11] In fact, performance-based methods borrowed from the private sector often have detrimental effects on public employees and organisations to which they are applied (Bregn, 2013; Kauhanen & Piekkola, 2006; Perry et al., 2009). The heterogeneous literature focusing on

[11] An in-depth discussion and analysis of intrinsic and extrinsic motivation in the workplace, with an eye on the public sector, comes from the literature of social psychology (Frey, 1997).

performance and *incentive systems* illustrated in Section 2.2 grounds its approaches on four main theoretical frameworks: Agency, Equity, Expectancy and Goal Setting. The Agency Theory underlines the relevance of the incentive system in a context of asymmetric information and top-down control; Equity Theory points up the perceived fairness of effort-reward link. However, the theoretical lenses most fruitfully applicable to administrative multilingualism are those of Expectancy Theory, which stresses the perceived relationship between performance and compensation, and Goal-Setting Theory, which underscores how well designed goal-setting processes increase employee performance. Overall, such theories stress different aspects of a multifaceted performance, where a proper analysis of intrinsic motivation is paramount to build effective incentive systems. They generally recognise *monetary rewards* as an applicable tool for improving employees' achievements. However, as recalled in Section 2.3, they also acknowledge limitations to their use, stemming from the specificities of civil servants' motivation, and emphasise the need for *non-monetary incentives* in designing and implementing effective performance-enhancing schemes (Bregn, 2013; Bright, 2009). The broad variety of functions undertaken by the public service (and related organisational settings) entails avoiding a one-size-fits-all approach, devising incentive schemes that suits the specific cases (Marsden, 2005). Against this background, Management Control Theory provides a useful tool to identify the conditions under which monetary incentives are an appropriate solution (Frey et al., 2013).

## 2.1 The role of motivation in Public Administration

Researchers and practitioners assert that, due to the special nature of the service, reasons determining individual participation in public administration are unique. Perry and Wise label this set of reasons *Public Service Motivation* (PSM), and define it as "an individual's predisposition to respond to motives grounded primarily or uniquely in public institutions" (1990, p. 368). *Motives* are intended by the authors as a set of *intrinsic* psychological needs that an individual wants to satisfy through his actions in public service. They classify three distinct categories of motives: i) rational motives, aiming to maximise individual utility; ii) norm-based motives, which conform individual behaviour to social norms; iii) affective motives, which generate actions grounded in emotional responses to social contexts. Subsequent studies have further articulated this definition, while retaining the essential hallmark of *other-orientation* – as distinguished from 'pure' self-interest – embodied by public institutions and their missions (Brewer & Selden, 1998; Rainey & Steinbauer, 1999; Vandenabeele, 2007). Although the emphasis on others brings PSM closer to the concepts of altruism and prosocial behaviour (i.e. intrinsic motivation driven by social purposes), the former diverges from the latter ones as it is built on public service provision, and defined in the literature through *institutional boundaries* (Perry et al., 2010) listed in Panel A of Table 1 below. The following paragraphs in this section analyse and exemplify the three categories of motives in detail, summarising the different classes of each motive in Panel B of Table 1.

While most of the reasons constituting PSM are essentially altruistic, participation in public service can also be grounded in 'individual utility maximisation', which underpins the category of *rational motives* (Koehler & Rainery, 2008; Wright, 2008). A first class of such motives is the one of *participation in the process of policy formulation*, which can be intriguing, challenging and reinforce individual self-perception of social importance and power. This is especially true in those countries where the role of public sector is well regarded. Another rational motivational base can be *personal identification with the program*, as it is often the case with military sector. The third case

that may push individuals into government administration is *advocacy for special and private interests*, as they believe that their choices as public servants will ease achieving goals of specific groups in society. It is worth emphasising that Public Service Motivation is conceptually distinct from 'pure' self-interest. In fact, while self-interest is rooted in self-concern and driven only by personal pleasure and enjoyment, PSM is grounded in concern for others and is bound and driven by the meanings and purposes of public institutions, organisations and services in which it arises (De Dreu, 2006; Grant, 2008; Perry et al., 2010). Moreover, as independent motivational traits, self-interest and interest in others can certainly co-exist in the individual, who is thus endowed with both personal and public service motivation (De Dreu, 2006, pp. 1246–1247).

In recent decades, the public sector has been progressively 'entrepreneurised' all over the world, trying to implement business administration logics and processes. PSM scholars attribute an important part of the limited success of these initiatives to their disregard for the idealism and ethical standards that guides the behaviour of many public servants (Forest, 2008; Perry & Wise, 1990). In this context, the classes of *norm-based motives* identified in PSM studies have become particularly relevant in characterising individuals' reasons for entering public service. A primary source of motivation is the *desire to serve public interest*, which is conceived as substantially oriented to others even when the concept of public interest derives from personal views. Indeed, social values such as nationalism and loyalty to one's own people may lead an individual to dedicate his professional life to the public service. A second class of reasons is the sense of *loyalty to civic duty and to the government as a whole* that, according to scholars, derives from the perceived role of public employees as nonelected servants of the state's sovereign power. The last social norm to which civil servants conform to is the one of *social justice*, a concept which "involves activities intended to enhance the well-being of minorities who lack political and economic resources" (Perry, 1996, p. 7). This relates to the threefold obligation of public administrators hypothesised by Frederickson (1971), that is to supply effective and economical services while promoting social equity.

Finally, Perry and Wise ground the category of *affective motives* in the individual's fascination with the nobility of public service purposes in serving the needs of the community, and in attachment to its missions, e.g., education, care, defence and protection (1990). While norm-based motives are rooted in a public servant's sense of ethics and duty, affective motives emphasise behaviour driven by emotional responses to several social issues of public interest (Forest, 2008; Wright, 2008). The commitment to a public program could arise from a *genuine conviction about its social relevance*. This motive is linked to the norm-based desire of serving the public interest, although in this case the impulse comes from beliefs on the nobility of mission and primary aims of public service. The literature also points out that another reason could be the so-called '*patriotism of benevolence*', which merges the love for institutional values of public administration with the selfless care for the well-being of others, the latter concept being defined as *compassion* (Hart, 1994; Liu et al., 2014). [12] It is worth nothing that scholars define patriotism as a virtue, a 'ruling passion' for the welfare of one's fellow citizens that should not be confused with negative implications of the same concept, such as nationalism – a sort of 'national narcissism' – and

[12] In their seminal papers, Frederickson and Hart define patriotism of benevolence as 'an extensive love of all people within our political boundaries and the imperative that they must be protected in all of the basic rights granted to them by the enabling documents' (1985, p. 549; Hart, 1994, p. 2223).

'bigotism' – blindly attachment to one political creed or faction, and intolerant of others (Hart, 1994, pp. 2238–2239).

Although the motives can be analytically distinguished, the mix of inherent reasons feeding the spirit of public service changes both between individuals and over time for each of them, and is mediated by organisational, institutional and regional variables, including linguistic, contextual and cultural features (Perry et al., 2010). Early PSM studies focused on motivation definition and measurement, and on its relationships with other key concepts in public management and economics. Recent literature highlights instead its positive effects on organizational performance, attempts to improve measurement techniques and tests efficacy of PSM-based strategies. Importantly, ongoing research results generally appears to confirm the early statements on the PSM association with as crucial behavioural variables as participation in public administration, performance and incentive systems (Perry, 2014; Perry et al., 2010; Perry & Wise, 1990). Table 1 below summarises the Public Service Motivation boundaries (Panel A), motives (Panel B), and the early statements on associations between PSM and behavioural variables (Panel C). At present, Public Service Motivation is regarded as a common incentive in the public sector, along with 'Total Compensation', i.e., salary and deferred compensation, and 'Job Security', that is, security of tenure guaranteed by either law, contract or policy (Perry, 2014).

*Table 1. The role of motivation in public administration: synoptic table.*

| **Panel A: Boundaries of Public Service Motivation** |
|---|
| Beliefs, values and attitudes that induce individuals to serve the interests of:<br>▪ Public institutions or organisations.<br>▪ Public, community and social service.<br>▪ A community of people, a state, or a nation.<br>▪ A larger political entity. |
| **Panel B: Public Service Motives** |
| **Rational**<br>▪ Participation in the process of policy formulation.<br>▪ Commitment to a public program because of personal identification.<br>▪ Advocacy for special and private interests.<br>**Norm based**<br>▪ Desire to serve public interest.<br>▪ Loyalty to civic duty and the government as institution.<br>▪ Social justice.<br>**Affective**<br>▪ Genuine conviction about the social relevance of public service.<br>▪ Patriotism of benevolence (compassion). |
| **Panel C: Behavioural effects of Public Service Motivation** |
| 1. The greater an individual's PSM, the more likely the individual will seek membership in a public organization. |

2. In public organizations, PSM is positively related to individual performance
3. Public organizations that attract members with high levels of PSM are likely to be less dependent on utilitarian incentives to manage individual performance effectively

*Sources: Perry and Wise* (1990) *and Perry, Hondeghem and Wise* (2010) . *Partially edited by the author.*

## 2.2 Incentive systems and public sector in the literature

Strategies and systems for performance improvement, as monetary incentive systems, are linked to the *Maslow's Hierarchy of Needs*, which aims to describe general patterns through which human motivation arises and increases. The Maslowian model distinguishes five consecutive need levels, each of which requires to be sufficiently fulfilled to lead individual's efforts to satisfy the following level. Maslowian needs are, from the most basic to the most advanced level: 1) psychological needs; 2) safety and security; 3) social affiliation; 4) esteem and recognition; 5) self-actualisation (Maslow, 1943). Extending Maslow's work, Herzberg, Mausner and Snyderman (1959) identify hygiene factors and motivators. *Hygiene factors* encompass the first three Maslowian levels, and include elements such as, e.g., physical working conditions, interpersonal relationships, and salaries. *Motivators*, on the other hand, relate to the levels of recognition and self-actualisation (levels 4 and 5) of the individual, and consist of achieving intrinsic aspirations through his activity, in this case through his work.[13] Performance is achieved by incentives that meet the recognition and self-actualisation needs of employees, and this therefore requires that lower levels of need are adequately met. For example, in the case of financial awards, "[i]ncentive pay is motivating to the extent that it is attached to achievement and recognition" (Kim, 2002, p. 448), i.e., to the extent that base salaries are adequate to meet individuals' basic needs.

The remainder of this section deals with the theoretical approaches produced by heterogeneous literature on performance-based systems in public administration: Agency Theory, Equity Theory, Expectancy Theory, and Goal-Setting theory. Based on partly different views of the intrinsic motivation of individuals, these theories propose incentives based on likewise differing extrinsic motivations. By briefly exposing background and functioning of each theory, the following paragraphs try to clarify under which conditions the proposed incentive scheme should be effective in stimulating civil servants' performance.

The *Principal-Agent Theory*, also named Agency Theory, analyses the incentive issue by applying a strong neoclassical economic perspective. In this framework, employer (principal) and employee (agent) deal with the existence of asymmetric information and risk aversion. The employer tends to see employee's behaviour as primarily driven by self-interest and utility maximisation, and his action as potentially divergent from organisational interests. When management cannot easily monitor the work efforts of employees, financial incentives are the major tool to reduce discrepancy between individual and organisational interests, and the related negative effects (Marsden, 2005; Montoya & Graham, 2008). The attribution of merit pay is based on the employee's achievement of performance targets defined as quantifiable outputs or outcome measures (Boston, 2011). However, recent research in the organisational field pointed out to serious

[13] Self-actualisation, in the sense used by Maslow, refers to the individual's desire and tendency to realise what he feels inclined to, becoming what he is capable of being (1943, p. 10).

flaws in the Principal-Agent approach, which is one of the theoretical foundations of New Public Management (NPM), a theoretical and Public Governance approach based on Neoclassical Economics and Public Choice Theory (Bregn, 2013; Jensen & Murphy, 1990; Shamsul Haque, 2007; Tõnurist & Bækgaard, 2018).[14] As noted by Frey et al. (2013), such flaws may be particularly misleading in analysing work dynamics in the public sector, as it differs in several respects from that in private companies. Firstly, the empirical evidence stresses significant differences between public and private employees: as already highlighted in the previous section on Public Service Motives, public workers show an other-oriented motivation that makes theories based on self-interest alone inadequate to understand their reasons and expectations. Secondly, in the public sector there is no principal supervising agents to earn the residual gain. Within the public service, it is unclear whether the responsibility of civil servants goes (only) to their superiors, to elected politicians, or to the citizens who benefit from the service, and the introduction of practices typical of the private sector could damage motivation and performance. In addition, many public service outputs do not have a price, and are produced in partial or total lack of competition. Lastly, since goals in the public sector are often defined in highly ambiguous ways, incomplete (and problematic) contracts typically arise. Piney (2015) also adds that the total focus on output measurement to assess performance may lead to neglecting, delaying or even suppressing those dimensions of public service that are more difficult to quantify. Furthermore, Samsul Haque (2007) points to the lack of a unified, organic and coherent theoretical framework of NPM in the literature, and reports a considerable debate on the practical effects of replacing an established public service ethos with business models, including those incorporating the Principal-Agent view. Some major negative consequences of applying NPM models in public administrations are: degradation of the public sector's collective culture and values (e.g. impartiality, accountability); rise of a mentality committed only to short-term results, at the expense of long-term outcomes; public accounting problems resulting from excessive outsourcing and confusion in assigning actual responsibilities for service delivery; an excessive focus on performance indicators, at the expense of actual service; and decline in social expenditure (Batley, 2004; Bregn, 2013; Dent et al., 2004; OECD, 2005). Given the currently fragmented and incoherent NPM framework, the undesired effects of its applications to the public sector, and the call for a broadening of the underlying theoretical perspectives in the literature (Bregn, 2013; Cardona, 2007; Perry et al., 2009), the ‘pure’ neoclassical Principal-Agent Theory will not be considered in the remainder of this report.

The *Expectancy Theory*, or Theory of Expectations, relates to Principal-Agent Theory in assuming rational individuals bent on maximising their interests and rewards. However, it partially diverges from the latter by relaxing assumptions about self-interest and financial rewards, and by investigating the process of cognitive variables underlying individual differences in work motivation (Lunenburg, 2011; Montoya & Graham, 2008; Tõnurist & Bækgaard, 2018; Vroom, 1964). Whereas other theories aim to explain what motivates people in the workplace, Expectancy Theory focus on how the underlying cognitive process operates. This framework posits a direct relationship between the value of performance-related rewards and the possibility for employees to obtain them if they undertake the required effort. In other words, employees will be more motivated

[14] According to Arellano-Gault (2000), operational connections between the different strategies of New Public Management are rooted in Rational Choice Theory. In turn, this theory constitutes the microeconomic foundation of Neoclassical Economics, and is the basis of the modelling used in Principal-Agent Theory (Gailmard, 2014; Mas-Colell et al., 1995).

if they expect that: i) their effort leads to better performance (*expectancy*); ii) such performance leads to a reward (*instrumentality*); iii) the reward is worthwhile to them (*valence*) (Lunenburg, 2011; Oh & Lewis, 2009). The theory assumes that motivation, expectation, instrumentality and valence relate in the following linear form (Vroom, 1964):

$$Motivation = expectancy \times instrumentality \times valence \quad (1)$$

While expectancy and instrumentality can only take on null or positive values (in the equation, from 0 to 1), valence can also take on negative values (from $-1$ to 1), being both *positive* and *negative*. For instance, if an employee has a preference for verbal recognition, this will be a stimulus for him (valence $> 0$ ), whereas if he considers it unimportant, such a recognition will have a null or even detrimental effect (valence $\leq 0$). The use of multipliers in equation (1) has important implications. First, motivation is only high when all three factors are high. Second, if one of the three factors is zero, motivation is zero. Third, if the incentive valence is negative for the employee (and the other factors are not zero), motivation is also negative. In theory terms, when the variables influencing valence are properly designed, and the perceived instrumentality is sufficiently high, workers will have higher expectancy, which will translate into higher motivation and performance. Thus, the engagement of an employee is directly influenced by the expectation that through one's effort, the assigned task will be carried out successfully, and in turn that the effective performance will lead to the expected reward (Maltais, 2018). The literature defines instrumentality as a probabilistic belief about whether a certain outcome – e.g., a high level of performance – leads to a second outcome – a reward (Starke & Behling, 1975). Employees are able to calculate instrumentalities of their workplace, and act to satisfy their needs while taking account of the opportunities and constraints they face. Therefore, management must set up an environment wherein workers (Lunenburg, 2011; Maltais, 2018):

1. Strengthen the individual expectancies of their employees.
2. Accurately measure workers' performance,
3. Find and describe to employees clear and predictable links between performance and rewards.
4. Make sure that rewards are valuable for employees, taking individual and group differences into account as far as possible. Avoid rewards that have negative valence, i.e. are demotivating for the officials.
5. Consider both monetary and non-monetary rewards, such as verbal and symbolic forms of recognition.

On the other hand, to increase individual motivation through incentive systems, workers should (Maltais, 2018):

1. Believe in fairness and consistency of the incentive system.
2. Be confident that their performance will be accurately assessed.
3. Have a clear understanding of how the incentive system works.
4. Be subject to a system based, as much as possible, on performance outcomes that are quantifiable, measurable, and clearly linked to performances and related rewards.
5. Be subject to an incentive system that includes four critical elements: reward contingency, feedback, employee participation and goal quality (Locke & Latham, 2002; Maltais, 2018). Reward contingency is particularly relevant, as rewards assigned

unilaterally and disconnected from merit are perceived by employees as an entitlement, and may reduce the effectiveness of performance-related pay systems.

Alongside previous considerations on the individual, literature also underlines peculiarity and relevance of expectancy and valence at the collective level – e.g., work unit – and its consequences on public organisational performance. According to Soyoung and Sungchan (2017), at this level, the *expectancy* factor is based on the concept of *professional identity*, considered as an appropriate match between job requirements and individual's abilities, values, experience and achievements, both on a psychological and practical level.[15] From the organizational point of view, positive valence and related high performance is accomplished by obtaining work-team rewards, such as collective pay awards and recognition. Negative valence is often a critical factor in organisational performance, and frequently includes perceived disparities in salary and other benefits, as well as excessively performance-oriented strategies implemented by the organisation. Overall, it is worth highlighting how Expectancy Theory recognises the value of monetary incentives in stimulating employees' performance. However, non-monetary awards and specific conditions should also be included to make performance-related payment successful (Lunenburg, 2011; Tõnurist & Bækgaard, 2018).

According to *Equity Theory*, performance-related incentive systems motivate civil servants when they recognize their output as equal to perceived inputs, such as effort and energies put in their work (Bregn, 2013). The theory distinguishes between *internal equity*, in which individuals assess the advantages received against their own personal contribution, and *external equity*, which "depends on a comparison between their advantage/contribution ratio and that of other individuals, taken as referents" (Forest, 2008, p. 330). If employees believe their effort is not sufficiently acknowledged, or that their colleagues are rewarded more for the same effort, that is, if they perceive their *internal* or *external fairness* as being violated, they will react negatively, mainly by decreasing their commitment to correct the perceived imbalance between input and output (Buzea, 2014).[16] In order to avoid these negative effects, managers implementing incentive systems have to make sure not only that it is fair and coherent, but also that these aspects are well understood by the employees involved (Kim, 2002). This appears to be particularly difficult in the public sector, due to difficulties in assessing performance in many services and in ensuring that employees perceive evaluation mechanisms as fair (Bregn, 2013). A recent study related to equity theory suggests that employees' attitudes towards monetary rewards are crucially mediated by their age. Indeed, as older individuals seem to derive more job satisfaction from their contribution to a task than from the attached reward, they react differently from younger ones to more unequal (both internal and external) advantage/contribution ratio (Kollmann et al., 2020).[17] However, such study analyses private sector – so generalisation of its findings to the public sector should be approached with caution – and it is subject to a number of relevant data limitations.

[15] For instance, Gazzola et al. (2007) highlight the role of consensus on the career values endorsed and membership of professional associations in defining professional identity of Canadian counsellors.

[16] Due to the sensitivity of the Equity Theory constructs to cultural context, alternative strategies for input reduction may vary by country. For example, in Romania public and private employees maximise output tolerating imbalance, because they consider it preferable to alternatives, e.g. unemployment (Buzea, 2014, pp. 12–13).

[17] More precisely, being proportionally under-rewarded reduces the job satisfaction of young employees, but not of older ones. Conversely, over-reward inequity reduces job satisfaction among older employees, but not among younger ones. There are, however, exceptions related to the reward amounts.

The last theory of interest for incentive systems and performance in the public sector is the one focusing on the *Goal Setting*, where *goal* is defined as "the object or aim of an action" (Locke & Latham, 2002, p. 705). Goals are a specific source of motivation that affects performance through four mechanisms: i) focusing employees on relevant activities; ii) increase the effort of employees as their difficulty increases; iii) affect persistence, frequently with a trade-off between time and intensity of effort; iv) inspire planning, finding and use of task-relevant knowledge and strategies by the employees. A goal can be furtherly defined as a *performance goal*, that is, the score attained to a task (e.g., the number of users assisted on a working day), or as a *learning goal*, which refers to the strategies acquired to carry out a task effectively. A learning goal explicitly asks individuals to develop strategies to complete a task, identifying methods or shortcuts that will help them maximise their output (Winters & Latham, 1996). In order to increase the employees' performance, goal-setting theory focuses on the core properties of effective goals. In this perspective, the way in which employer sets goals for employees – in particular the extent to which they are involved in choice and planning phases – has a strong influence on their motivation to achieve them (Marsden, 2005). It is worth noting that setting goals does not refers to generic exhortations to 'do one's best', but rather to choose and plan together with employees specific and challenging aims, and related actions to achieve them. Where this is not possible, an effective alternative to employee participation is for management to give them an accurate and comprehensive explanation of the purpose or rationale behind the assigned goals (Locke & Latham, 2002). Three *moderators* influence the intensity of the goal-performance relationship:

1. *Commitment*, which is positively related with both the importance attributed from employees to the assigned goal and the *self-efficacy*, that is, the confidence that they can achieve it.
2. *Regular feedback* on progress toward designated goals, allows employees to adjust their actions and level of effort to what is required.
3. *Task complexity*, as complex tasks may weaken the link between goal and performance, demanding to define goals on a short-term performance or to focus the setting process on learning goals, rather than on more 'classic' performance goals. Indeed, if an employee lacks the knowledge to develop solving strategies for a task, the latter turns out to be ambiguous and setting a high-performance goal may decrease, rather than increase, his actual performance. To achieve higher performance in reaching the desired output, it is more effective to set a goal that requires him to elaborate methods and shortcuts to solve the task (Winters & Latham, 1996).[18]

Effects of assigned goals and other extrinsic incentives (monetary and non-monetary ones) are mediated not only by moderators outlined above, but also by *personal goals* (*self-set goals*), chosen by the individual in response to the assignment, which interact with self-efficacy. Therefore, this variable also influences the effects of external incentives offered by the organisation to achieve work goals. Participation in the goal-setting process can increase both self-efficacy and level of personal goals adopted by employees, contributing to the effectiveness of the incentive system. The goal-setting theory also draws attention to several additional dynamics that influence that influence other relevant variables, as:

[18] E.g., by carrying out simulations on the task, asking employees to identify a number of strategies to maximise output, and providing them with useful learning materials.

1. *Self-regulation skills of employees.* Examples of dynamics affecting this variable are job attendance, job approach, and team-playing behaviour, which can influence and be influenced by the assigned goals through self-efficacy and personal goals of each individual. Where possible, the goal-setting system should then take into account the self-regulation skills of employees, and assess their role in the event of failure to achieve the required performance.
2. *General goal setting.* This should be designed to carefully avoid conflicts between organisational and individual manager or department goals. Incompatible actions generated by conflicting goals may in fact impair the performance of the overall organisation.
3. *Types of goals used.* For instance, while in complex tasks learning goals are superior to performance goals, both kind of goals may be used together to increment performance. On the other hand, in simpler tasks, performance goals often suffice in achieving the desired outcome.

Among the different ways to enhance commitment to goals, and so performance, monetary incentives are considered a potentially valuable reward. However, its effectiveness is subject to two *contingency factors*: i) the amount of the incentive; ii) the relationship between monetary incentive and goal (Locke & Latham, 2002, p. 708). The first contingency factor clearly points out that the amount shall be proportional to the commitment, and that more money acquires more commitment (Kauhanen & Piekkola, 2006; Locke & Latham, 2002). For the second factor, tying monetary incentive to the achievement of the goal could damage performance in case of difficult goals: once employees see that they do not get the reward, their personal goals and self-efficacy drop, and so does their performance. To avoid such consequences, the link between monetary incentive and goal can be maintained in the case of easy or moderately difficult goals, whereas employees appointed with difficult goals should be paid according to their performance in trying to attain them – e.g., for produced units of required output (Locke & Latham, 2002).

## 2.3 Monetary-based incentive systems, public sector and performance measurement

The basic assumption of 'classical' performance incentive system, such as that postulated by the New Public Management, is that an appeal to inherent individual self-interest through monetary rewards will improve performance, increasing outputs through greater effort and different workers' behaviour. Motivation linked to anything different from financial rewards has been ignored in most economic modelling, and posited as not affected by incentives (Bregn, 2013).[19] However, the NPM approach to the public sector overlooks a wide range of crucial factors in motivating employees, most notably intrinsic motivation, underlying cognitive processes, perception of fairness, and peer effects (The Work Foundation, 2014). As discussed in previous sections, expanding the analysis to Public Service Motivation and other three main theories of performance improvement in Public Administration reveals a way more complex situation, with many factors relevant to the motivation of civil servants. The PSM theory details how orientation towards others by civil servants drives a number of peculiar motives that are not related to self-interest and maximisation of individual

[19] Non-financial motivation has been endogenised in some advanced and highly formalised economic models, e.g., (Bénabou & Tirole, 2003).

utility. Expectancy Theory highlights that employees' self-interest is certainly a fundamental source of motivation, but at the same time it is part of a broader cognitive process that reflects differences in its definition by individuals, and which should be taken into account. According to Equity Theory, individuals add to self-interested motives the interactions under 'fair' conditions with superiors and peers, which play a relevant role in determining their level of effort, and thus performance and outcomes. Equity is perceived on the basis of organisational and personal characteristics, where the latter are also partly operationalisable in observable variables (e.g., age). Finally, Goal-setting Theory explores individual and collective psychological aspects, stressing the role of choosing and planning goals, and involving employees in such processes. This approach shows how elements such as commitment, feedback and involvement in decision-making can positively affect employees' focus, effort, persistence and adoption of problem-solving strategies in their tasks. Importantly, Equity and Expectancy theories draw attention to group dynamics. While the former emphasises the importance of the fairness and consistency of the incentive system, and its understanding by employees, the latter considers the use of group monetary incentives to limit individual adverse effects and encourage team performance.

In recognising a greater complexity to individuals' motivations, and the existence of marked differences between public and private employees, such theories generally do not criticise the use of monetary rewards in the public sector *per se*. Rather, they question uncritical transpositions of corporate performance models to the public sector, including monetary incentive systems (Bregn, 2013; Perry et al., 2009). Indeed, in light of empirical studies, most of the business-type incentive schemes applied to the public sector have failed in their objectives, or even produced effects opposite to those intended, particularly in Western and developed nations (Cardona, 2007; Forest, 2008; Park & Berry, 2014). Performance-based systems borrowed from the private sector and mostly (or only) based on financial incentives either prove to be inaccurate, or struggle to design appropriate remuneration system for public administration services, or are unable to integrate with the regulatory requirements and distinctive behaviours required of civil servants. Therefore, literature on performance enhancement in the public sector converges on the importance of avoid limiting incentive schemes only to monetary rewards. The peculiarities of Public Service Motivation, as its normative and affective reasons (Section 2.1 and Table 1), and the intrinsic characteristics of public sector call for a careful assessment of where to apply monetary reward schemes, which may need to be combined with – or replaced by – non-financial incentives. Otherwise, performance-based payment schemes such as the Pay-for-Performance system, effective in several business contexts and widely adopted in public administrations in many countries, "persistently fail to deliver its promise" (Perry et al., 2009, p. 46).

To be able to effectively combine monetary and non-monetary incentives, it is necessary to understand where to 'draw the line', identifying the most appropriate areas for one and the other. Such an approach can help in evaluating where to focus financial rewards, making best use of the often-limited budget for merit pay (Cardona, 2007; Park & Berry, 2014), and where to reward employees with formal and other symbolic recognition for good performance. In the light of previously mentioned literature, whatever 'blended system' of incentives chosen should also be perceived by employees as consistent and fair, and involve employees in choosing and planning (or at least understanding) the objectives of the goals desired by management.

Frey at al. (2013) combine Behavioural Economics and Public Service Motivation insights with Management Control Theory (MCT) to detect under which conditions pay-for-performance systems are an effective solution in the public service, and when it should be avoided.[20] In doing so, their research relates to the importance of performance assessment emphasised by Expectancy and Equity theories. Specifically, the authors analyse the different forms of control proposed by MCT based on organisational tasks, and evaluate the applicability of Pay-for-Performance (PFP) systems in the public service. The MCT recognises three different kinds of control modes that can be employed in performance measurement systems: i) output control; ii) process control; iii) input control. In addition, the same theory postulates that two elements that are crucial to design an optimal control mechanism: i) the nature of the task, especially measurability and traceability of its outputs; ii) the supervisor's knowledge about the cause-effect relations (or the transformation process) and the appropriate rules to apply to it. Figure 1 depicts the relationship between these elements and the related optimal control modes.

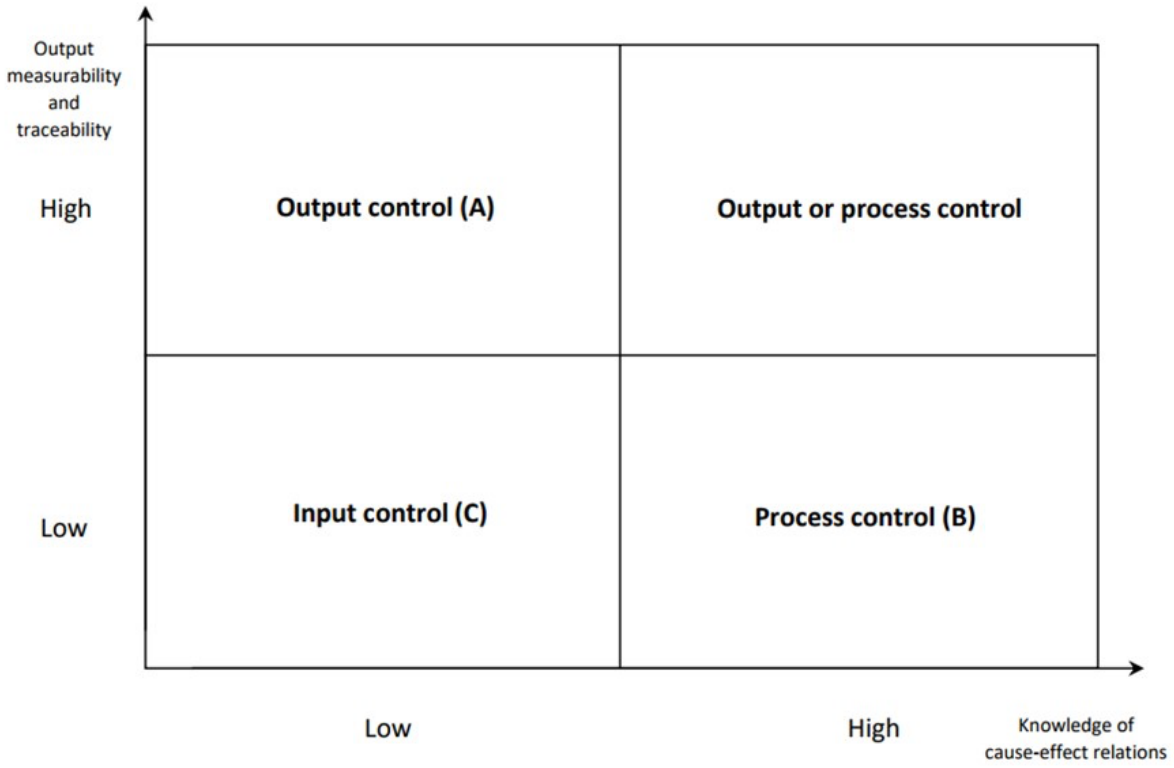


*Figure 1. Control modes and task characteristics. Source: Frey et al. (2013)*

*Output control* (box A in Figure 1) focuses on measuring countable production indicators, and it is more convenient when cause-effect relations (or transformation process) are more difficult to specify but outputs are easy to measure.[21] While output indicators appear to provide easily understandable data, their use requires two conditions: i) output and related knowledge should be clear, unambiguous, and relatively stable in time; ii) output should be clearly observable and

[20] Behavioural Economics is in turn the result of an integration of economic approach, most notably Expectancy Theory, with numerous contents and insights from the field of Psychology that are remodelling economic theories and increasing their explanatory power (Camerer et al., 2004; Steel & König, 2006).

[21] E.g., the number of customers served per day. Something that Goal Theory defines as a performance goal.

attributable, and not being mostly the result of interdependencies between the actors involved. This makes the application of output control often problematic in public service, where many outputs are complex and ambiguously defined (e.g. good education, good health, lifelong learning) and highly interdependent. These characteristics often make it complex to define clear goals and measurable, attributable performance. Knowledge of the transformation process is often obscured by a long chain of command, in which top public officials do not directly observe the outcome of their decisions, and 'street bureaucrats' do not have a full understanding neither of decision-making process nor of needs of the citizens who use the service. For such reasons, output control and Pay-for-Performance systems can effectively combine for relatively straightforward and well-defined tasks, as drafting of official documents and forms, standardised over-the-counter and online services, rubbish collection services, waste management, and infrastructure maintenance. In these contexts, PFP is able to link measurable outputs to monetary rewards that are proportionate to achievements. If output control is nevertheless applied in situations where the above-mentioned conditions do not exist, dysfunctional effects may arise, as public servants will tend to focus only on the quantifiable aspects, ignoring the qualitative ones even if they are crucial for the service. This effect is known as *goal-displacement* or *multi-tasking* effect. An example is the one of ambulances that, in order to meet predetermined response times, give priority to short-distance emergencies that can be reached in that time. Another related dysfunctional effect is the so-called *gaming-the-system* effect, which leads public servants to exclude from the service those factors (or users) they consider to be detrimental to their performance evaluation. A case in point are pupils with low abilities or learning disorders who are excluded from the administration of skill assessment tests. As a result, performance measures defined on outputs that are neither fully measurable nor traceable fail to either truly define good performance or to achieve it.

Conditions for *process control* (box B in Figure 1) are that evaluators: i) have a relevant knowledge of the cause-effect relations or transformation process from inputs to outputs; ii) have a shared understanding of the rules to be applied to such process. These conditions allow an external controller, or a team of peers involved in the service, to make qualified judgements on the performance. An example of process control is the one carried out in academic research, where peer review system controls for the correct application of scientific methods and acknowledgment of existing literature. Process control is of major importance in many areas of the public administration, where it guarantees equal treatment of all citizens according to the rules defined by law and transparency in the public access to services. On the other hands, it often proves inadequate in rapid changing environment or with ambiguously defined tasks, as in education, social and health services, where civil servants have to combine legislative rules with case-specific interpretations. In the latter cases, process control should be combined with input control, presented below. If rules are clear-cut and there is no room for ambiguous interpretations, as in routine-based tasks, PFP systems can be effectively applied in public service. This is the case in formal request processes to authorities such as building permit, unemployment pay, document renewal. When there is some discretion in rule interpretation, caution should be exercised in implementing performance-based pay systems. Monetary rewards do not guarantee a proper interpretation, and may even generate harmful side effects for the service.

Finally, *input control* (box C in Figure 1) is the most appropriate control mode when outputs have a low level of measurability and traceability, and when evaluators have a low understanding of

the cause-effect relations. In other words, input control should be applied to control public services characterised by complex and ambiguous tasks, as for life-tenured judges and police officers. In these cases, PFP system (and other monetary rewards) are generally judged inadequate by the literature, as monetary incentives are willing to undermine motivation, create goal-displacement effects, and undermine community-oriented intrinsic motivation.

## 3. ADMINISTRATIVE BILINGUALISM: A CRITICAL REVIEW

The starting point for this report in Chapter 1 has been an analysis of existing monetary incentive systems for promoting administrative multilingualism. The search for such systems covered Europe and more generally Western countries, where Public Administration and socioeconomic conditions are most comparable with those in Slovenia. This led to the analysis of three cases: Belgium, Canada and Italy. Despite their different linguistic environments, the three countries implement comparable bilingualism incentive schemes to foster the acquisition and use of second languages in the public service. Differences emerge in territorial areas of implementation, extended to the entire national territory in the Canadian case, and to specific provinces or regions in the Italian case, while the Belgian case presents an intermediate situation, applying its scheme to both national federal administration and the Brussels region. Another important distinction concerns the share of natives within the civil service, which in Belgium and Italy is determined by language quotas established by law, while in Canada it is not bound by any official legislation. However, in each of these countries, payment of the bilingualism allowance depends on two elements, namely:

1. *Eligibility of the position* within the civil service. In Canada, eligible positions are those designated as bilingual. For Italy and Belgium, the position must be in a local or national administration located in a defined region.
2. Passing a *language test* organised by the Public Administration or, alternatively, submitting a recognised language certificate.

In all three countries, civil servants who meet both requirements receive fixed annual allowances on a permanent basis, whose maintenance is not subject to subsequent reassessment of their language skills. In Italy and Belgium, the amount of the allowance paid is a function of the skills certified by the test, which in turn are defined according to position and functions performed, and therefore civil servants with the same level of competence receive the same level of allowance. In contrast, Canadian civil servants receive the same allowance regardless of their language level, position and duties. In Canada, the designation of bilingual positions is shared between central administration (for managerial positions) and managers (for their respective work units), and requires identifying levels of proficiency related to both internal and public duties. In Belgium and Italy, proficiency levels are established by law, and based on the Common European Framework of Reference for Languages. Language training courses are offered directly by Public Administrations to Belgian and, to a large extent, Italian employees, while Canadian employees (and those of the Province of Bolzano) have to resort to external providers privately, generally with limited or no financial support. Language training courses are offered directly by Public Administrations to Belgian and, to a large extent, Italian employees, while Canadian employees (and those of the Province of Bolzano) have to resort to external providers privately, generally with limited or no financial support. In any case, in all countries the courses are offered on a voluntary basis, and represent an additional burden for civil servants, which is not compensated for by reductions in duties or working hours.

In the light of the literature reviewed in chapter 2, both common critical points and country-specific peculiarities of incentive systems emerge. First, for eligible civil servants, bilingualism allowance only requires passing the language test, or owning the certificate. Although taking the exam clearly requires the *acquisition* of second language skills, it is nevertheless disconnected from a relevant part of performance, i.e. the actual *use* of that language at work. In fact, since once employees have passed the test they have permanent access to the allowance, the latter has no influence on their expectations of being rewarded for using the second language in their job. Such use is only superficially considered by the incentive systems of the countries analysed, which include it in the objectives of the bilingualism allowance, without providing any kind of incentives for more or better employment of language in the tasks performed. In Expectancy Theory terms, this means that the valence and instrumentality of the allowance are equal to zero for the use of additional language skills, and therefore the extrinsic motivation attached to it is zero. With the exception of Canada, defining required language skills according to position and duties is a positive element of the incentive schemes, which explicitly relates individual effort for language acquisition to the amount of additional pay obtained (internal fairness) and ensures that employees receive the same reward for the same level of language proficiency attained (external fairness). However, the Canadian model delegates to managers the definition of language skills for positions within their work units, showing greater flexibility and adaptability than the Italian and Belgian models, which are bound legislative intricacies.

Equity Theory suggests that individuals are not extrinsically motivated to use the second language by such an incentive, since a higher input of language skills is not matched by any higher output in terms of advantages. In other words, the advantage/contribution ratio of employees is zero, regardless of their level of effort. Regarding the inclusion of civil servants in goal setting and planning, only Canada shows a partial involvement of lower management levels in the identification of language skills required for specific positions and functions. The sources examined for Belgium and Italy on the other hand, do not express any participatory decision in the definition of bilingualism allowance schemes, suggesting that these were centralised decisions. The only participation reported was that of the trade unions in bargaining over the amount of payments (APRAN, 2018; ARAN, 2018; Lecomte, 2018). Moreover, it is reasonable to assume that these problems are also known to the Public Administrations of these countries. In Canada, several commissioners in charge of evaluating the current incentive scheme "have stated that the funds should be allocated to language training and, more recently, that the annual fixed amount of $800 is not an incentive to learn or master a second official language" (Lecomte, 2018, p. 10). However, union participation in the allowance bargaining proves to be a further obstacle in changing the existing scheme: since the bonus "forms part of the collective agreements, the bilingual bonus could not be amended without consulting the bargaining agents participating on the National Joint Council" (Government of Canada, 2005). In all three countries, the measurement of performance defines proficiency levels for the second language acquisition, and explicitly links them to the related reward levels. Yet, in Canada, the test does not appear adequate to assess language skills functional to the different functions performed by the public service. A recent internal survey on the state of bilingualism in Canadian federal service reports that the bilingual bonus "is completely detached from the use of official languages", and reinforces "the *pass the test* culture, where performance is not connected to the actual use of official languages, efforts to retain acquired language skills, or the values of excellence, inclusion and respect" (Borbey & Mendelsohn, 2017, p.

17). For Italy, no detailed sources were found concerning the functionality of language skills tested for public service. References to language assessment are limited to mentioning the European Framework of Reference for Languages, indications of 'special courses' organised for employees and generic adult courses (Autorità per le Minoranze Linguistiche, 2020; Francione, 2010; Provincia Autonoma di Bolzano, 2021; Regione Friuli-Venezia Giulia, 2021). Belgian sources mention the functional knowledge of the second language in the civil servants' test, although in most cases this is not specified or appears to be scattered among several legal acts. An administrative report refers to a syllabus of a course organised by SELOR for candidates for legal and administrative positions, containing 800 specialist terms of which the candidate must prove knowledge during the second language test (Parlement fédéral belge, 2001, 2017). No performance measurement, in the form of indicators or otherwise, is provided for in any of the three countries' incentive schemes with regard to the actual use of language during work tasks. Tensions between government and trade unions in some countries (e.g. Canada) over the allocation and amount of the bilingualism allowance highlight financial constraints that further complicate its effective implementation. Finally, tensions aroused between government and trade unions in some countries (e.g., Canada) over the allocation and amount of the bilingualism allowance highlight financial constraints that further complicate its effective implementation (Lecomte, 2018).

On the other hand, the Canadian, Belgian and Italian incentive schemes completely ignore the other-orientation of their civil servants suggested by PSM Theory, as well as the effectiveness of non-monetary awards, and focus only on the financial side. Bilingualism allowances should be reshaped to account not only for language proficiency at the time of the test, but also for its maintenance and use at work (in the Canadian case, they should also be differentiated according to proficiency levels). Unfortunately, these needs often come up against tight budget constraints for public administrations.[22] Therefore, concrete and symbolic recognitions – such as involvement in the definition of the levels and functionality of language skills required by specific positions and greater emphasis on the role of the public service in promoting bilingualism in society – and changes in work patterns – e.g., reduction of tasks and working hours during language training periods – are examples of non-monetary incentives that could stimulate the acquisition, retention and use of language skills by employees.

Although with important differences, the schemes of Belgium, Canada and Italy coincide in configuring their bilingualism allowances more as an entitlement than as an incentive for employees to acquire, maintain and use their second language skills. These schemes are therefore unlikely to significantly improve the implementation of the administrative bilingualism they formally aim for. Achieving significant improvements requires: i) reconsidering the motivation of civil servants in light of the indications of PSM Theory; ii) implementing systems based on the broader spectrum of incentives suggested by the theories examined in this report (Section 2.2); iii) modifying the language allowance to reflect the actual retention and use of second language skills.

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