

Marketization and the Public Service Ethic: Cross-Country Evidence of a Deleterious Effect

Jesse W. Campbell

Incheon National University

jessewcampbell@gmail.com

Prepared for the *XXI April Conference on Economic and Social Development* at the Higher School of Economics, Moscow, Russia. April 6-10, 2020

Abstract: Competitive public service delivery models have seen global adoption. By fostering competition, reformers have sought to address that perception that public servants, insulated from the market forces that condition the management of private firms, are indifferent to the performance and fiscal sustainability of the public services they are tasked with delivering. Competition is conceived as a way to incentivize high-quality service delivery, promote efficiency and innovation, and do so in a cost-effective manner. The motivations behind the introduction of competitive models of service delivery have some compelling foundations. But, there are risks associated with high levels of competition in the public sector. Among them is the possibility that competition will erode the intrinsic rewards derived from public service that is thought to be an important driver of many public servants. This erosion may, in turn, result in a net loss of public service effort and, ultimately, degrade service performance. This possibility is especially grave given that studies have linked service motives to service effort and performance in the public sector. While theoretically compelling, empirical evidence for the motivational crowding effect described above is mixed. Using a large, international sample of public servants coupled with cross-country estimates of competition in the public service delivery process, this study presents new evidence of a competition-based erosion of public service motives. I show that competition has a substantive, negative impact on the public service ethic. This effect persists even after an extensive set of controls is accounted for. This study has limitations but also contributes to the ongoing debate about the usage of competition in the public sector. I address the questions this study implies but leaves unanswered.

Keywords: Performance pay, public service motivation, crowding effect, cross-national analysis