Personnel Constraints in Public Organizations: The Impact of Reward and Punishment on Organizational Performance

In recent years, many public sector reforms have attempted to loosen personnel constraints on the assumption that more managerial flexibility will increase organizational performance. The authors mount an empirical study to test this assumption using data taken from English local government authorities. Personnel constraints are operationalized using Rainey’s long-standing measures of the concept. Statistical results from multiple regression analyses indicate that “difficulty in removing poor managers” is harmful to organizational performance, but “difficulty in rewarding good managers” has no effect. The authors delve inside the organizational hierarchy and find that attitudes toward personnel constraints vary by organizational level and managerial rank: for example, frontline managers feel more constrained overall, while senior managers’ perceptions of constraints are more closely linked to organizational performance but in some unexpected ways. The implications of these findings, including the fact that personnel constraints have varying impacts on organizational performance, are considered.

Empirical research has shown that personnel system constraints are far more prevalent in public organizations than in private sector organizations (for summaries of the evidence, see Bozeman and Rainey 2000; Rainey 2010, chap. 3). These constraints are believed to hamstring public managers and stifle organizational performance. One intended purpose of the civil service reforms implemented in recent decades has been to loosen these constraints on the assumption that more personnel system flexibility will lead to greater managerial effectiveness and increased organizational performance (Blair 2002; Gore 1993; Kellough and Nigro 2006; Ingraham and Ban 1984). This focus on removing personnel constraints, empowering managers, and improving performance is part of the larger movement for management reform that has been sweeping the globe (Kettl 1997; Light 2008; OECD 2005; Pollitt and Bouckaert 2004).

This article examines this proposition empirically, presenting evidence on the effects of overly burdensome personnel system constraints at the organizational level and also investigating intraorganizational variation in the perception of constraints and their impacts on performance. In undertaking this task, we draw on Rainey’s long-standing perceptual measures of personnel constraints, which gauge “difficulty in rewarding good managers” and “difficulty in removing poor managers” (Rainey 1976, 1983; Rainey, Facer, and Bozeman 1995; Rainey, Pandey, and Bozeman 1995).2 That is, can managers effectively reward and punish the employees they oversee so as to achieve higher levels of organizational performance? Efforts to reform public agencies have led to alternative strategies for neutralizing these two personnel constraints. Approaches to increasing managers’ ability to remove poorly performing employees include empowering managers, removing constraints on their ability to manage, and instituting performance management systems that connect employee efforts with results. Approaches to improving managers’ ability to reward employees include increased reliance on the performance appraisal process and pay-for-performance schemes.3 Evidence on the effectiveness of these reforms is not very impressive (see, e.g., Perry, Engbers, and Jun et al. 2009; U.S. Merit Systems Protection Board 1999). This evidence suggests that little progress has been made in developing strategies to remove poorly performing managers and that pay for performance is problematic to implement in the public sector and has produced disappointing results so far. Yet the evidentiary record is weak and consists mostly of case studies and empirical analyses that have some glaring weaknesses. One such weakness is that few studies have examined the impact of these reforms on robust measures of organizational performance. To this end, our primary contribution is to undertake what is, to the best of
our knowledge, the first empirical test of the proposition that public managers’ perceptions of personnel constraints suppress public service performance. We offer a second contribution by exploring perceptions of personnel constraints at the intraorganizational level.

Our data come from a large-scale survey of English local government authorities and other sources such as the U.K. census. Findings at the organizational level show that “difficulty in removing poor managers” actually reduces organizational performance as anticipated in the literature but that “difficulty in rewarding good managers” is insignificant. In other words, managers’ inability to punish low performers seems to lower organizational performance, but their inability to reward high performers is inconsequential. Our intraorganizational investigation reveals that lower-level managers perceive more personnel constraints than other managers, whereas higher-level managers perceive fewer constraints—but ones that are of greater consequence and have stronger performance effects. Among these higher-level managers, the prior findings on reward and punishment are confirmed, with one important exception: perceptions of “difficulty in rewarding good managers” produce a positive effect on performance rather than an inconsequential result. This finding contrasts sharply with theoretical expectations and reform predictions. These results indicate that manager’s perceptions of personnel constraints vary by organizational level and managerial rank. The hypothesized relationship to performance is strongest in the upper tiers, muted in the middle ranks, and partially supported among front-line service managers. Overall, personnel constraints do not exert a major impact on performance, as anticipated in the literature. These findings help explain why the considerable effort expended on the design and implementation of pay-for-performance reward schemes has not directly improved public service performance. The findings do suggest, however, that managers may need increased discretion to deal with poor performers, as this could translate into improved performance.

In the next section, we go into more detail on why personnel system constraints are more prevalent in the public sector than in the private sector and why such constraints are thought to bind public managers and lower organizational performance. This review leads to several testable hypotheses. In the third section (and the appendix), we introduce our data and methods; we then test the hypotheses and report the results. Finally, the implications of these findings for public management research and practice are discussed.

**Personnel Constraints in Public Organizations**

Empirical research has shown that personnel system constraints are far more prevalent in the public sector than in the private sector (Bozeman and Rainey 2000; Rainey 2010, chap. 3; Rainey, Facer, and Bozeman 1995a; Rainey, Pandey, and Bozeman 1995). Such constraints are usually attributed to traditional civil service systems that promulgate rules to protect public employees from political interference and egregious personnel actions, thus also serving to promote fairness and equity in the public service (Nigro, Nigro, and Kellog 2007; Shafritz et al. 2002). Indeed, government is expected to be a model employer and set high standards in these regards (see, e.g., U.S. Merit Systems Protection Board 2008).

Civil service systems are typically built on merit principles that include open and competitive examinations as a basis for selection, strong norms of neutral competence, and relative security of tenure for employees. Traditional systems have relied on centralized oversight of the personnel function and numerous rules to ensure political noninterference and equity in the treatment of all applicants and employees. As a consequence, these systems have been criticized for constraining managers and creating delay, inflexibility, and harmful effects on organizational performance. There appears to be a fundamental trade-off between the merit principle, neutral competence, and fair play, on one hand, and economy, efficiency, and performance, on the other (e.g., Moynihan 2004).

In recent years, a chorus of voices has complained that arthritic civil service systems, which are characterized by burdensome personnel constraints that limit the ability of managers to reward good employees and remove bad ones, may be one of the primary causes for declining government performance. New Public Management, Vice President Al Gore’s reinventing government campaign, the Public Service Improvement strategy of Tony Blair’s Labour administration, and many other reform agendas adopted this mantle (Blair 2002; Gore 1993; OECD 2005). Reformers contend that public organizations should cut red tape, empower managers, and encourage them to be entrepreneurial. An important element of these reforms is giving managers a freer hand to recruit, select, reward, discipline, and remove employees. Thus, the reform movement has sought to roll back overly constraining civil service system rules and “let managers manage” (Kettl 1997; Mintzberg 1996).

Reformers continue to emphasize that civil service systems must be weakened or replaced in order to give public managers more discretion and flexibility on personnel matters. As a result, personnel systems are changing from purely legal-bureaucratic modes of control to more market-style modes. Traditional systems were characterized by centralized collective bargaining, uniform pay increases, steep and detailed career ladders with intraservice mobility, tightly written job descriptions, and lifetime employment security. The behavior of personnel was governed by detailed, input-oriented budgets. In the new model, collective bargaining is decentralized or eliminated, pay is more individuated, career ladders are short and job descriptions loose, recruitment from the outside replaces intraservice mobility, and hiring and firing are possible. Budgets are shifting to looser, output-based controls over personnel, who are being liberated and empowered to take risks. In short, the public sector is conforming more and more to the normal disciplines of the private sector (Brewer 2001; OECD 2005).

We hasten to add that such reforms not only are associated with the New Public Management movement of the 1990s, which sought to improve the performance of public agencies and bring business practices into government, but also persist today as governments
seek to implement austerity programs and cutback management aimed at reducing the huge public debt that was amassed during the recent global economic recession—see, for example, the policy statement by the U.K. Conservative-Liberal coalition (U.K. Cabinet Office 2010). In the United States, these reforms are evident at every level of government: the Barack Obama administration and Congress are jointly contemplating sharp federal workforce reductions and spending limitations, and an increasing number of state and local governments are curbing public employees’ collective bargaining rights, shrinking their pension funds, and reducing or discontinuing some basic services. While this latest wave of reforms was triggered by the ongoing economic recession, they are also predicated on a longer-term belief that government is bloated, inefficient, underperforming, and too rule bound for public officials to manage effectively.

In this article, we examine long-standing personnel constraints that involve the inability of public organizations to reward good managers with higher pay and to remove poorly performing managers. These constraints have a long-standing pedigree in the public management field and have been prominent in Rainey and colleagues’ investigations of public and private sector differences (Rainey 1976, 1983; Rainey, Facer, and Bozeman 1995; Rainey, Pandey, and Bozeman 1995). Feeney and Rainey summarized one of the stark differences that has been found: 80 percent to 90 percent of public managers agree or strongly agree that personnel constraints are high in their organizations, whereas the comparable percentage in private firms is less than 20 percent and can even drop to 9 percent in “samples representing different levels of government, government agencies and business firms, geographic regions, and time periods” (2010, 5). We derive our first hypothesis (and two subhypotheses) from the drift of this argument:

Hypothesis 1: Public managers perceive that personnel constraints have detrimental effects on public service performance.

Hypothesis 1a: Higher personnel removal constraints will lead to poorer public service performance.

Hypothesis 1b: Higher personnel reward constraints will lead to poorer public service performance.

Theory and research on personnel constraints has largely focused on the organization as the unit of analysis. As a result, researchers often rely on samples of “elite managers” drawn from the most senior level of the hierarchy to report on organization-wide phenomena. However, a widespread body of research informs us that within organizations, there are likely to be very different perceptions, views, and practices. Some of the more notable examples of this stream of work have documented the alternative behavioral practices of street-level bureaucrats (Lipsky 1980), the importance of bottom-up implementation processes (Hill and Hupe 2002, chap. 3), and the fact that frontline leaders play a critical role in strategic management, innovation, and organizational turnaround (Moore 1995). The need to encompass levels of the hierarchy in public management research (per Aiken and Hage 1968) is echoed by Lane and Wallis, who argued that theories need to include “both higher-level and middle-level managers” (2009, 118). Brewer (2005) looked further down the organizational hierarchy and compared the attitudes of frontline supervisors with nonsupervisory employees in the U.S. federal government on a range of concerns, including their attitudes toward work, job satisfaction, and perceptions of individual and organizational performance. He found rather large, statistically significant differences between the two groups on 16 of the 18 items studied. The author concluded that supervisors tend to report more positive and optimistic responses than nonsupervisory employees.

The broader social sciences have dedicated efforts toward understanding mechanisms and processes of coordination and cooperation among levels in the hierarchy (Aiken and Hage 1968; Eisenhardt 1989). A body of research related to the study of public service organizations has demonstrated that intraorganizational variation among levels of the hierarchy is extensive and argues for the need to reduce such variations in the pursuit of organizational effectiveness. Examples include the need for “shared understanding on strategic priorities” (Kellermanns et al. 2005, 721) at different levels of the hierarchy in the strategy literature (see also Bowman and Ambrosini 1997; Floyd and Lane 2000) and marshaling the heterogeneity of resources and competencies across the organization to capitalize on the rare, valuable, nonsubstitutable, and inimitable resources in an organization from the resource-based view of organizations (Bryson, Ackermann, and Eden 2007). As these examples demonstrate, public management researchers who aspire to study organizations should include multiples levels of the hierarchy in their sampling frames.

Given the presumption that there is intraorganizational variation on key issues of management and organization, we logically extend this assumption to personnel constraints. Such variation is expected given that organizations have distinctive groups of managers with specialized job functions. In the case of English local government authorities, these include senior managers charged with managing the organization as a whole, service heads responsible for specific areas of professional service activity, and frontline staff who take charge of delivering services to the public. Scholars have written about the various roles and responsibilities of managers in public organizations. For example, Moore (1995) suggested that senior executives manage upward and outward to stakeholders outside the organization, whereas those charged with service delivery responsibilities manage downward to employees and service users.

At higher levels of the organization, senior managers may see personnel constraints differently than lower-level managers because they (senior managers) are charged with managing the whole organization, where goals, responsibilities, and tasks are broader and less well defined than at lower levels (Bozeman and Rainey 1998). Limited empirical research has examined this proposition in public organizations. Frazier and Swiss (2008) examined results-based management tools among 4,186 workers in eight departments in North Carolina. They found that top managers were more optimistic about the value of these reforms than those who were lower in the organization. These findings echo Brewer’s (2005) conclusion that higher-level managers tend to be more positive and optimistic than lower-level employees, and they reflect findings from organizational sociology in the 1960s and
1970s. Aiken and Hage (1968) and Payne and Mansfield (1973) undertook several studies of “social” or “hierarchical” positions (or, to use our terms, “organizational levels” and “managerial ranks”), noting varying perspectives on questions of intraorganizational structure and organizational interdependence. The evidence confirmed most of their suspicions. This evidence suggests that intraorganizational variation should be expected on the density and role of personnel constraints in public organizations. Our presumption is that managers’ perceptions of personnel constraints will increase the further one looks down the organizational hierarchy: managers at lower levels are likely to perceive more troublesome constraints than higher-level managers. This is partly because lower-level managers operate under the weight of constraints imposed by both overhead political authorities and upper-level managers, plus they may perceive some additional constraints imposed by citizens and service users. This line of reasoning leads to our second hypothesis:

**Hypothesis 2:** Public managers at lower levels of the organization perceive more personnel constraints than those at higher levels.

Researchers and public managers are probably most interested in the impact of personnel constraints on organizational performance at the organization-wide level. However, this does not tell us where the impacts on performance are greatest within the organization. Thus, our third hypothesis is based on the likelihood that personnel constraints perceived by managers at different organizational levels will have varying impacts on performance. This hypothesis does not undermine our organizational level analysis (hypothesis 1); rather, it elucidates where the most troublesome perceptions of personnel constraints may lie. Thus, this third hypothesis calls for a sensitivity analysis to determine whether different managerial ranks, which are presumed to perceive different levels of personnel constraints (hypothesis 2), also perceive that these constraints will have varying impacts on organizational performance.

Given our arguments so far, it seems likely that senior-level managers at the corporate center of an organization may not think that personnel constraints are as harmful as lower-level managers, in part because they probably perceive fewer such constraints and because they can adopt a variety of alternative strategies to improve performance, including changing processes and structures. Conversely, lower-level managers may perceive more negative effects because they experience personnel constraints on a daily basis and can see the impact of such constraints on service delivery. These street-level bureaucrats also interact directly with citizens and service users, making them more sensitive to the views of those groups as sources of personnel constraints.

In keeping with these arguments, our final hypothesis is as follows:

**Hypothesis 3:** Perceptions of personnel constraints among public managers at lower organizational levels will have more harmful effects on performance.

**Data and Methods**

This study is situated in the English local government sector. English local government authorities are politically elected bodies with a Westminster-style cabinet system of political management. They employ professional career staff and receive between two-thirds and three-quarters of their income and guidance on the implementation of legislation from the central government. These are multipurpose authorities, but not all purpose; for example, health care is provided by separate health authorities. English local governments have experienced a wide range of public management reforms that include creating personnel incentives and flexibilities, imposing target-setting regimes, and contracting out services (Pollitt and Bouckaert 2004).

There are five types of local authorities. Three types are comprehensive—that is, one authority provides all designated services to one geographically defined community. These types of authorities are typically found in urban areas and include London boroughs, metropolitan districts, and unitary authorities. A two-tier system prevails in small towns and rural areas. County councils or shires are the upper-tier authority and district councils are in the lower tier. This variation in structural arrangements means that in areas within London boroughs and metropolitan councils, authorities are responsible for virtually everything. However, in two-tier systems, services such as fire, transportation, and waste disposal are delivered by joint committees. This study focuses on major authorities, which include county councils, metropolitan boroughs, London boroughs, and unitary authorities. District councils, the tier of local government below county councils, are excluded from the analysis because the performance measure used in this study is not available for these authorities.

One condition of causality is temporal precedence: the cause must occur before the effect. To satisfy this condition, we create a time lag of approximately six months between our independent and dependent variables. Data are drawn from three sources. The dependent variable is taken from a data set created by the U.K. Audit Commission (2002) and recorded in late 2004. The Audit Commission acts on behalf of the central government and therefore is an important external stakeholder for local governments. The data source for the independent variables (personnel constraints) is a survey of English local authorities that also provides internal controls data (see appendix). Externally control variables come from the 2001 U.K. census (U.K. Office for National Statistics 2003).
Dependent Variables
A robust measure of performance is likely to fulfill three criteria (Walker, Boyne, and Brewer 2010). First, it should be a multidimensional measure that covers the many concerns of public management, such as quality, efficiency, effectiveness, responsiveness, and equity (for a review of this literature, see Andrews, Boyne, and Walker 2006; Carter, Klein, and Day 1992). Second, a range of stakeholders, inside and outside the organization being assessed, are likely to hold views on what constitutes high levels of government performance (Andrews, Boyne, and Walker 2006; Brewer 2005, 2006; Walker and Boyne 2006). Managers are near the heart of the action and probably know more about what is going on in their organization than other stakeholders. However, their perceptions may be overly subjective. External judgments made by stakeholders in the environment of an organization (e.g., service consumers, voters, regulators) are likely to offer more objective views. External measures of performance registered some distance from the organization are thus less likely to be contaminated by common source bias (Andrews, Boyne, and Walker 2006). Third, performance measures should include a range of information about an organization, some of which may be archival. This could include data from performance indicators, strategic and operational plans, and inspectors’ reports. Drawing information from all of these sources ensures that a number of perceptual measures are combined with archival data on the performance of each public organization. English local government is blessed with a measure that meets these criteria: the core service performance (CSP) of the Comprehensive Performance Assessment calculated by the regulator of English local government, the Audit Commission (2002).

The CSP is based largely on archival performance indicators and supplemented by the results of inspections and assessments of statutory plans. The archival performance indicators cover six aspects of organizational performance: quantity of outputs (e.g., number of home visits for the elderly), quality of outputs (e.g., the time it takes to carry out public housing repairs), efficiency (e.g., cost per benefit claimed), formal effectiveness (e.g., average school passes at age 16), equity (e.g., equal access to public housing), and consumer satisfaction (e.g., satisfaction with waste collection). Inspection of services draws on internal improvement plans, field visits, and other documentation. Statutory plans are assessed against the criteria of the service’s relevant central government department. Evaluators external to the local authority conduct all assessments. Each service area is given a performance score by the Audit Commission ranging from 1 (lowest) to 4 (highest).

After calculating the CSP score for each service area, the Audit Commission derives a score for the whole authority or organization by weighting services to reflect their relative importance and budget (the weight for education and social services is 4, for environment and housing it is 2, and for libraries and leisure, benefits, and management of resources it is 1). The Audit Commission then multiplies these weights by the performance score (1–4) for each service area to calculate the CSP. The resulting scores range from a minimum of 15 (12 in the case of county councils that do not provide either housing or benefits) to a maximum of 60 (48 for county councils). To make the CSP scores comparable across all authorities, we calculated the percentage of the maximum possible CSP score achieved by the given local government.

The dependent variable for our second hypothesis is personnel constraints, which is the primary response variable for hypotheses 1 and 3. This variable is described below.

Independent Variables
Two measures of personnel constraints, labeled remove manager and reward manager, were collected in the survey. As we noted earlier, since their inception in Rainey’s research in the late 1970s (Rainey 1983; Rainey, Backoff, and Levine 1976; Rainey, Facer, and Bozeman 1995; Rainey, Pandey, and Bozeman 1995), these measures have been used extensively in studies of public and private sector differences and, more recently, as proxy measures of red tape. Table 1 provides descriptive statistics, measurement details, and data sources for these and for our control variables, which are described next.

Controls
We include measures of internal controls, external constraints, and prior performance in our models to counteract potential spurious relationships (see table 1 for details on these variables). Internal

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**Table 1** Measures and Descriptive Statistics at the Organizational Level of Analysis

<table>
<thead>
<tr>
<th>Label</th>
<th>Measurement</th>
<th>Mean</th>
<th>SD</th>
<th>Min.</th>
<th>Max.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remove manager</td>
<td>“Even if a manager is a poor performer, formal rules make it hard to remove him or her from the organization.”</td>
<td>4.53</td>
<td>.90</td>
<td>1.75</td>
<td>7.00</td>
</tr>
<tr>
<td>Reward manager</td>
<td>“The formal pay structures and rules make it hard to reward a good manager with higher pay here.”</td>
<td>5.29</td>
<td>.92</td>
<td>2.75</td>
<td>6.75</td>
</tr>
<tr>
<td>Developmental culture</td>
<td>“The service/authority is prepared to take risks,” “The service/authority is at the forefront of innovative approaches.” (α = .76)</td>
<td>10.29</td>
<td>1.126</td>
<td>6.5</td>
<td>13.0</td>
</tr>
<tr>
<td>Internal political climate</td>
<td>“The internal political context during the last financial year the service operates in was: (1) changing rapidly; (2) uncertain; and (3) very complex.” (α = .89)</td>
<td>10.89</td>
<td>3.00</td>
<td>3.89</td>
<td>18.73</td>
</tr>
<tr>
<td>Deprivation</td>
<td>Average ward score from the Index of Multiple Deprivation, the standard population-weighted measure of deprivation in England used by central government. It provides an overview of the different domains of deprivation (e.g., income, employment, and health).</td>
<td>27.28</td>
<td>11.91</td>
<td>4.89</td>
<td>61.34</td>
</tr>
<tr>
<td>Diversity</td>
<td>Herfindahl-Hirschman index of ethnic diversity</td>
<td>2,541.41</td>
<td>2,220.10</td>
<td>372.71</td>
<td>8,452.82</td>
</tr>
<tr>
<td>Population change</td>
<td>Mean change in the population size of a local authority, 1991–2001</td>
<td>.73</td>
<td>.80</td>
<td>−69</td>
<td>4.51</td>
</tr>
<tr>
<td>CSP 2003</td>
<td>Basket of performance indicators and auditors assessments</td>
<td>68.15</td>
<td>7.87</td>
<td>48.33</td>
<td>88.33</td>
</tr>
<tr>
<td>CSP 2004</td>
<td>Basket of performance indicators and auditors assessments</td>
<td>71.76</td>
<td>7.36</td>
<td>51.67</td>
<td>88.33</td>
</tr>
</tbody>
</table>


N = 136.
controls seek to capture the organization’s climate and focus on its openness and harmony. First, we control for developmental culture, that is, an organization’s disposition toward entrepreneurship, innovation, and meeting new challenges (Zammuto and Krakower 1991). This approach has been central to policy debates in the United Kingdom during the period of our research (Blair 2002; U.K. Office of Public Service Reform 2002). A developmental culture has been shown to mitigate the harmful effects of other organizational constraints such as red tape (Pandey and Moynihan 2006). The nature of an organization’s internal climate can affect its capacity to focus on its performance. A turbulent internal political climate is likely to cause managers to focus attention on the conflict between different groups rather than on service delivery. Alongside these internal controls, external constraints that capture aspects of munificence (deprivation and diversity) and complexity (change in population) are included. Finally, prior performance is included, based on the argument that organizations are relatively inert and autoregressive systems (Staw and Epstein 2000). Managers make many small decisions in everyday practice that can have substantial cumulative impact over time, and organizations create operating systems and work processes designed to produce the same outputs over time. Therefore, it is reasonable to expect that what an organization does today is the best predictor of what it will do tomorrow. This variable is labeled CSP 2003.

Model
The statistical model is as follow:

\[
\text{CSP}_{2004} = f(\text{CSP}_{2003} + \text{PerceivedConstraints}_{2003–4} + \text{Controls}_{2001–2003})
\]

Data are collected at different points in time to try to address some of the potential causality ambiguities that may arise in the relationship between personnel constraints and performance and to ensure that the coefficients for personnel constraints are not biased. If we had a cross-sectional research design, it would be difficult to establish the direction of causality—that is, we could not tell whether personnel constraints influence performance or vice versa. Two ways that we deal with this causal ambiguity are to include a lag between our measures of personnel constraints (t in 2003–4) and performance (t + 1 in 2004) and to control for prior performance (t – 1 2003).

Statistical Results
Our results are presented in two parts. First, we examine the effects of personnel constraints on organizational performance at the organization-wide level; then we delve into the organizational hierarchy and compare the perceptions of managers in different ranks. The explanatory power of the models is around 70 percent, and, as predicted, the measure of prior performance is the most powerful explanatory variable. Thus, the amount of variance explained in the models is broadly consistent with other public service performance studies reported in the literature that include a prior performance measure (Walker, Boyne, and Brewer 2010).

Organizational-Level Results
Table 2 provides summary statistical results from our regression analysis, and we commence our discussion with the control variables. By and large, these variables perform as anticipated. Developmental culture is positive and statistically significant, whereas internal political climate is negative but not significant. Prior performance is statistically significant and captures the likely effects of diversity and population change, which prove to be insignificant predictors in their own right. Somewhat unexpectedly, deprivation has a short-term and statistically significant impact on public service performance between the base year of 2003, when prior performance was recorded, and 2004, the year of the dependent variable. This positive effect may result from increased funding and attention from central government, as deprivation is a key indicator of local government needs.

The variable remove manager is negative and statistically significant. This indicates that rules which make it hard to remove poorly performing managers actually lower organizational performance. Reward manager has no effect when considered alongside internal and external controls. This finding indicates that not being able to reward a high-performing manager with pay increases does not affect performance at the organizational level. These statistical results offer support for hypothesis 1a but not 1b.

Intraorganizational Variation
We begin our analysis of intraorganizational variation among the three hierarchical levels identified in this study with a difference of means test. Thus, we test hypothesis 2 prior to undertaking a multivariate analysis. Table 3 presents the means and results of the ANOVA test for differences among the three organizational levels and corresponding managerial ranks (corporate officers at the senior level, chief officers or middle managers, and service managers on the frontlines). Corporate officers perceive fewer of both types of personnel constraints (remove manager and reward manager) than

Table 2 Regression Results: Predicting Performance at the Organizational Level

<table>
<thead>
<tr>
<th></th>
<th>Standardized Coefficient</th>
<th>β</th>
<th>(s.e.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remove manager</td>
<td>–.12</td>
<td>–1.03</td>
<td>(.45)*</td>
</tr>
<tr>
<td>Reward manager</td>
<td>.08</td>
<td>.62</td>
<td>(.44)</td>
</tr>
<tr>
<td>Developmental culture</td>
<td>.08</td>
<td>.55</td>
<td>(.32)*</td>
</tr>
<tr>
<td>Internal political climate</td>
<td>-.07</td>
<td>-.16</td>
<td>(.12)</td>
</tr>
<tr>
<td>Deprivation</td>
<td>.10</td>
<td>.06</td>
<td>(.03)*</td>
</tr>
<tr>
<td>Diversity</td>
<td>-.01</td>
<td>-.00</td>
<td>(.00)</td>
</tr>
<tr>
<td>Population change</td>
<td>.03</td>
<td>.28</td>
<td>(.47)</td>
</tr>
<tr>
<td>CSP 2003</td>
<td>.82</td>
<td>.77</td>
<td>(.05)***</td>
</tr>
<tr>
<td>Constant</td>
<td>15.21 (4.99)***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>44.761***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²/Adjusted R²</td>
<td>.74/72</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N = 136.
*p < .05; **p < .01; ***p < .001, one-tailed tests.

Table 3 Means and ANOVA Results for Personnel Constraints among Managerial Ranks

<table>
<thead>
<tr>
<th></th>
<th>Corporate Officers 1</th>
<th>Chief Officers 2</th>
<th>Service Managers 3</th>
<th>F-score</th>
<th>Post Hoc Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remove manager</td>
<td>Mean</td>
<td>4.40</td>
<td>4.63</td>
<td>4.80</td>
<td>3.335*</td>
</tr>
<tr>
<td></td>
<td>(SD)</td>
<td>(1.42)</td>
<td>(1.32)</td>
<td>(1.16)</td>
<td>1 – 3</td>
</tr>
<tr>
<td>Reward manager</td>
<td>Mean</td>
<td>4.86</td>
<td>5.51</td>
<td>5.71</td>
<td>18.705***</td>
</tr>
<tr>
<td></td>
<td>(SD)</td>
<td>(1.47)</td>
<td>(1.15)</td>
<td>(0.93)</td>
<td>1 – 2, 3</td>
</tr>
</tbody>
</table>
their counterparts lower down the hierarchy. As predicted, the perception of constraints increases the further we look down the organization. The F-score and post hoc tests confirm the validity of this finding. For the remove manager variable, there are statistically significant differences between corporate officers and service managers, while for the reward manager variable, the significant differences are between corporate officers and both chief officers and service managers. These results do not categorically support hypothesis 2. They do, however, offer reasonable evidence to support the notion that perceptions of personnel constraints vary within organizations and that officials at lower levels perceive more constraints.

As noted, perceptions of personnel constraints—on both the remove manager and reward manager variables—grow larger as we move down the hierarchy from top-level officials to chief officers and, finally, to service managers. In fact, frontline managers who are working in the trenches perceive the highest levels of all. Perhaps these street-level bureaucrats feel more constrained because they are subject to systemic personnel constraints that affect all managers in the organization, plus they are subject to additional constraints imposed on them by overhead managers—corporate officers and chief officers, in this case. Another reason may be that concerns about accountability and responsibility flow downhill and weigh heavier on frontline managers, who interact directly with citizens and service users. In any case, perceptions of personnel constraints grow denser as one moves further down the organizational hierarchy. Given that most studies have examined interorganizational differences rather than intraorganizational variation, these results provide new evidence on the complex way in which personnel constraints are manifested in public organizations.

Multivariate results are presented in table 4, where we probe the impact of these varying perceptions of personnel constraints on performance. Results for the control variables are similar to those reported in table 2, so we do not elaborate on them here. Three points can be made in relation to the personnel constraint measures and their impact on organizational performance. First, the statistical results for the corporate officers present findings similar to those at the organizational level for the remove manager variable and a positive relationship with performance for the reward manager variable (this variable was insignificant at the organizational level). While this group of public managers report fewer personnel constraints than those in lower managerial ranks (see table 3), they nonetheless identify stronger consequences for performance: the inability to remove a poor manager harms performance, while not being able to reward good managers with pay increases actually has a beneficial effect.

Second, the coefficients for the service managers reflect our findings at the organizational level, showing statistically significant and negative effects on performance when it is difficult to remove a poor manager and insignificant ones when it is difficult to reward a good manager. Finally, for the chief officer rank, neither variable achieves statistical significance. These middle managers are caught between the two extremes of frontline and senior managers; therefore, their survey responses are possibly conflicted. Overall, these results do not provide support for hypothesis 3, which predicted a stronger relationship between perceptions of personnel constraints and performance among lower-level managers. Rather, the opposite effect was found: the relationship is stronger among higher-level managers. In retrospect, this result is sensible. By virtue of where they sit, higher-level managers probably have a more complete, panoramic view of their organizations. Therefore, they can render more accurate judgments about organization-wide phenomena such as the relationship between personnel constraints and performance.

### Conclusion

As is often the case, the findings reported in this study suggest that a fundamental assumption of public management theory and practice is more complex than previously thought. These findings are summarized below. First, personnel constraints seem fairly prevalent in this sample of public organizations: the mean scores on the variables remove manager and reward manager are above 4, the midpoint on the seven-point Likert scale, which is consistent with similar findings reported in the literature and with anecdotal evidence. Second, perceptions of personnel constraints grow larger as we move down the organizational hierarchy, suggesting that managers on the front lines feel the most constrained. Third, the multivariate analyses at both the organizational and intraorganizational (managerial rank) levels show that the inability to remove a poorly performing manager hurts organizational performance in three of the four models presented. By contrast, the reward manager variable reached statistical significance in only one case and it was positive, suggesting that pay-for-performance schemes do not necessarily lead to
higher levels of public service performance and may even undermine performance in some instances. Fourth, among the managerial ranks, remove manager was identified as harmful to performance by the corporate officers and service managers, while reward manager was statistically significant for the corporate officers only. In contrast to hypothesis 3, we find that the views reported by top-level officials are most strongly linked to performance, while those of lower-level officials are more weakly linked. In the case of chief officers—the middle managers in our sample—there is no apparent relationship between their perceptions of personnel constraints and public service performance.

The overall conclusion that we derive from this study is that the inability to remove a poorly performing manager harms the performance of public organizations. Managers may need more flexibility to deal with poor performers, and arthritic civil service systems, which seem to exact a cost on performance, may need to be relaxed. This resonates with a stream of literature that advocates at-will employment systems in the public sector. Such systems might increase managerial flexibility, but they could also undermine trust within public organizations (Battaglio and Condrey 2009). In contrast, the inability to reward a good manager ranges from having no effect to exerting a positive impact on performance among the organizations included in our sample. This raises questions, or perhaps confirms doubts that are expressed in the literature and voiced by public managers, on the efficacy of pay-for-performance schemes in the public sector.

We believe that these findings have great theoretical and practical significance and policy-relevant value. They suggest that reform efforts to reduce personnel constraints in public organizations have not played out in the ways anticipated by those who designed them. It seems that public managers have not been given sufficient flexibility to cope with and eventually remove poor performers. In practical terms, such efforts are likely to produce higher levels of organizational performance, and government should focus its attention on making this happen while carefully protecting the rights and privileges of public employees who might be wrongly accused.7 By contrast, our findings show that pay for performance, as represented by the notion of rewarding good managers with higher pay, does not produce the anticipated benefits. It is even counterproductive in some instances. So perhaps a more difficult problem for public organizations is how to encourage and reward high performance. The policy implication here is that persistent efforts to implement pay-for-performance systems will likely continue to fail in public organizations—at least in terms of improving their performance. These systems do not seem to work for whatever reasons—and public administration scholars have identified plenty over the years (Perry, Engbers, and Jun 2009). For example, Weibel, Rost, and Osterloh (2010) noted that pay for performance can destroy the intrinsic motivations associated with public sector work and that such rewards have many hidden costs. Another reason is that government may not have the resources to sustain a broad-based pay-for-performance system when it is mired in an economic recession, even though highly performing public employees are sorely needed during such times. Perhaps a better next step is for public organizations to focus on the importance of their missions and the intrinsic motivations of their employees, such as duty and the public service–related aims of government work. Indeed, the growing literature on public service motivation suggests that these types of incentives are the most powerful motivators for public employees and the ones that are most closely linked to performance improvement (Brewer 2010). Taken together, the implications of these findings are that programs of reform need to be carefully designed to take into account the publicness of government organizations, the complex motives of public employees, and the intricacies of public policy.

The contrarian evidence on hypothesis 3 represents an interesting finding—lower-level managers perceive more personnel constraints, but the constraints perceived by higher-level managers are more closely related to changes in organizational performance, begging further explanation. Perhaps corporate managers at higher levels have more accurate perceptions of personnel constraints, and thus the impact of performance is more pronounced. Alternatively, managers at lower levels (chief and service officers) may have equally accurate perceptions, but they may have learned to navigate around personnel constraints without seriously affecting performance in their organizational quadrant. This suggests that all managerial ranks may have accurate perceptions because their roles and responsibilities task them with different functions in the organization. Personnel constraints may, however, serve good and bad purposes: at higher levels of the organization, they are more problematic for performance and the bad effects prevail. At lower levels, where services are delivered, the good effects of personnel constraints may counterbalance the bad. There is some support for this argument in the literature. Both Baldwin (1990) and Lan and Rainey (1992) found widespread evidence of personnel constraints in public organizations but argued that they are not necessarily bad for performance because managers find ways to neutralize or work around them (as in the case of our chief officers). Perhaps some public managers even turn these rules and regulations to their advantage and use them as cover or resources. The evidence supporting this argument comes from sources that did not seek to isolate and compare different organizational levels and managerial ranks (e.g., Lan and Rainey 1992; Lipsky 1980). Additional research is thus required to unpack these complex relationships and to understand the contributions that managers working at different stations in the organization can make to organizational performance and effectiveness.

The policy implication here is that persistent efforts to implement pay-for-performance systems will likely continue to fail in public organizations—at least in terms of improving their performance.
have been more prevalent in England among senior managers and do not permeate all the way down the organization. This may help explain why senior managers deem the inability to reward a good manager as a force for good. If true, this does not bode well for the future of pay for performance in the public sector. Such questions need to be addressed through additional research in different public organizations and geographic locations. Other questions of research design are also likely to limit our findings. In keeping with the tenets of good measurement practice, we operationalized personnel constraints using long-standing survey questions that were originally designed to probe public/private differences. In so doing, we utilized two single-item measures to capture complex phenomena. It would be helpful to develop and utilize more comprehensive indices of personnel constraints. There is clearly a trade-off between the use of single items, which may improve survey response rates, and complex indices, which may tap additional dimensions of the concept but also lower response rates. Another measurement strategy would be to collect objective measures of personnel constraints in organizations; however, this would require a somewhat different research design. While we include a lag between the independent and dependent variables in our research design, longitudinal analysis is required to tease out the causal relationship between personnel constraints and organizational performance. In particular, the notion that personnel constraints and performance are intertwined and influence one another needs to be tested more rigorously.

Looking ahead, researchers should mount more studies on personnel constraints and try to move from managerial perceptions of constraints to more objective measures, such as time delays or volume of paperwork generated in hiring and disciplining employees. Perhaps the connections to performance could be examined more carefully as well. For example, are the impacts different across the various dimensions of performance, such as efficiency, effectiveness, and equity?

In addition, researchers need to pry into other fundamental assumptions that underlie the theory and practice of public management. This will likely confirm many of our suspicions but confront us with a few surprises. These can be “learning moments” for researchers and practitioners as they are called upon to recalibrate their assumptions and practices to more accurately reflect newfound truths. Some of these assumptions, such as the need for managers to deal more effectively with poor performers, confirm conventional wisdom. Others, such as the presumed efficacy of pay for performance, have great intuitive appeal but are difficult to reconcile when debunked. Yet doing so is an important element of progress. Therefore, it is important for researchers and practitioners to be realists and to have access to the best knowledge available as they ply their respective trades.

Appendix: Survey
The survey, conducted in 2004, was a census of all 175 major upper-tier authorities among English local governments. Responses were received from 136 authorities (77.7 percent response rate). The survey explored informants’ perceptions of organization and management, drivers of service improvement, and background variables. (A copy of the full questionnaire is available from the Economic and Social Research Council data archive at the University of Essex.) All questions were in the form of Likert-type scales ranging from 1 (disagree) to 7 (agree). Respondents were asked about their organization in the 2003–4 (March–April) financial year. The survey was pre-tested in 17 local authorities (378 respondents) and conducted electronically (Enticott 2003). Questionnaires were delivered as Microsoft Excel files attached to an e-mail. They were self-coding. Informants had eight weeks to return the file by e-mail. Three reminders were sent to informants who had not responded. There were no statistically significant differences between late and early respondents.

Multiple informant data were collected from staff at the corporate and service levels in each organization. Corporate officers include the chief executive officer, or head of paid service, and corporate policy directors with cross-organizational responsibilities for service delivery and improvement. Service officers include two sets of officers drawn from seven services: benefits and revenues, culture and leisure, education, housing, land-use planning, social services, and waste management services. Chief officers are the most senior officers with specific service delivery responsibility; they include the director of education and the director of planning. Second, service officers are frontline supervisory officers. They include the head of school organization and planning and the head of business efficiency. This strategy was adopted to address the weakness of prior studies that essentially were elite surveys, which typically collect evidence on organizational leaders’ aspirations rather than actual organizational behaviors, and therefore overlook the possibility of intraorganizational variation (Bowman and Ambrosini 1997; Payne and Mansfield 1973). To undertake analysis at the organizational level, two groups of managers were used to overcome the sample bias problem faced in surveying large numbers of informants from one organizational level (see Enticott, Boyne, and Walker 2009 for a detailed discussion). For this sample, a simple organizational mean would drown out the voices of the smaller numbers of corporate officers surveyed so a weighting scheme is needed. Corporate and service officers were selected for the two managerial ranks because attitudes have been found to differ between these positions (Aiken and Hage 1968; Walker and Enticott 2004). An organizational mean was then derived from a mean of corporate officers and a mean of service officers. Data collection was designed to capture different levels in the hierarchy; thus, in each authority, survey questionnaires were sent to up to three corporate officers and up to 28 service officers—four across seven core services: education, social care, land-use planning, waste management, housing, library and leisure, and benefits services. In practice, the number of surveys mailed was between 23 and 31 and varied because some authorities contract out services or combine roles. In total, 196 corporate and 860 service officer responses were received.

To test variation among managerial ranks, we examined corporate officers and then split the service officers into the two groups that constitute this rank: chief officers and service managers. A mean was calculated for each group in each organization by adding the scores recorded by each respondent in each service. For the three managerial ranks, responses were thus: corporate officers, 105; chief officers, 127; and service managers, 129.

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Notes
1. We acknowledge several competing perspectives which contend that these sectoral differences are not very large or consequential and that they may be diminishing over time.
2. There are other ways of conceiving and measuring personnel constraints, such as time delays in hiring and removing employees. However, we believe that Rainey's measures of reward and punishment lie at the heart of managing for higher performance because they directly tap managers' perceptions of their discretion to act. These measures also form the basis for an extensive set of findings showing that personnel constraints are far more prevalent in the public sector than in the private and nonprofit sectors (for a review of the evidence, see Rainey 2010, chap. 3).
3. Various other reforms have attempted to alleviate these problems by, for example, weakening public employee unions, decentralizing personnel functions, implementing strategic human resource management, streamlining the hiring process, improving management and employee training programs, giving managers more clout in the hiring and removal processes, and focusing more intently on conflict resolution.
4. The term “corporate” is used widely in the United Kingdom to refer to the top management team in local government. The corporate center deals with democracy and financial management for the authority as a whole, and it coordinates activities between departments.
5. Space does not permit a full examination of the external controls that we use and their impact on performance. For further details readers are referred to Andrews et al. (2005).
6. In all of our models, there are no problems of multicollinearity; the highest variance inflation factor (VIF) recorded is 1.114.
7. The authors are keenly aware of the conflicting nature of this recommendation. Many personnel constraints exist for the express purpose of protecting the rights and privileges of public employees who are faithfully discharging their duties, and removing these constraints could place these employees in jeopardy.

References


