**MEMORANDUM**

**To: United Nations Development Program**

**From: [Redacted]**

**Date: June 3, 2013**

**Re: Next Steps for Government Reforms**

When we think about reforms in governance, we think about building capacity of people by empowering them to be driven and motivated. Successes and motivations by people in their work translate to positive effects of their colleagues and their communities. In a 2011 study, Sarah Smith and Edd Cowley tested whether corruption impacts trends in the labor market by comparing intrinsic motivation and characteristics of public and private sector employees. The authors make three claims:

* **Claim #1**: Public-sector workers tend to be more motivated than their counterparts in the private sector.
* **Claim #2**: A government identified as corrupt alters intrinsic motivation patterns in the public sector.
* **Claim #3**: Workers do not take up employment in the public sector when government is viewed as corrupt, rather they select into private sector jobs.

After a careful analysis, I find that only the first claim has legitimacy for the policy problem you are attempting to address because the other two claims are too weak to make strong statistical causal conclusions. Motivation can be shored up in the public sector by looking at the characteristics of the employees that help public agencies contribute to good governance standards instead of contributing to corrupt practices.

Below I have summarized the main claims made by Smith and Cowley in the three iterations of their research design:

1. **The public sector is likely to draw more intrinsically motivated workers**

In this model, individuals’ characteristics are gathered to estimate the likelihood of working in the public sector. Characteristics such as age, gender and education paint a richer picture of the makeup of public sector workers compared to counterparts in the private sector. Next, questions from individual surveys are tallied and lumped into country groupings where indicators for worker motivation are teased out and compared, where drive was measuredly higher among public sector employees. [[1]](#footnote-1)

1. **Government corruption saps workers’ motivation :**

The way the researchers estimate the level of intrinsic motivation among public sector workers is in relative terms compared to private sector motivation levels of workers in that same country.

Here the researchers test the impact of corruption using a Corruption Perception Index (CPI), and find that perception of corruption *does* impact motivation levels. [[2]](#footnote-2) How much trust people have in government is related to the ratio of public to private sector workers[[3]](#footnote-3). The authors claim that people *choose* to not participate in corrupt governments by joining the private sector labor-force.

Other characteristics of the workforce were measured to see if they had an impact on motivation level; such as difference in age, gender mix and education but were not found to be statistically significant[[4]](#footnote-4).

1. **Government corruption reduces that changes of individuals joining the public sector workforce**

In the final iteration, researchers estimate the likelihood that one works in the public sector in a corrupt country by including the data from a) the country level and b) the individual characteristics of employees.

At the country level, it remains unclear whether government corruption changes the makeup of the workforce**[[5]](#footnote-5)**. Next, interacting terms that include metrics like GDP and CPI with individual motivation allows us to probe deeper into the question. The impact of corruption combined with motivation was found to *reduce* the likelihood of working in the public sector[[6]](#footnote-6), meaning that high corruption trumps high motivation in predicting the employment sector. Similarly, for interaction of country level GDP on individual motivation the former trumps the latter; this decreases the chances of working for the public sector if an individual lives in a corrupt country.[[7]](#footnote-7)

**The Value of Information**

Given the findings of this study, we can predict that the public sector is more likely to have workers who are female, better educated, and older than the private sector. This does not, however, translate into different levels of motivation. Assuming that motivated workers are less corrupt, I recommend that UNDP forward a set of best-practices in employment legislation that includes the following:

* Incorporating a gender-component to employment legislation may increase buy-in of the labor force, especially in the public sector where employees are more likely to be female. [[8]](#footnote-8)
* Implementing anti-corruption workshops that have a strong education component might take root, and change the norms given the higher level of education among public sector workers. [[9]](#footnote-9)
* Addressing retirement benefits and work-life balance issues will affect public sector workers in large numbers because of the tendency for olderemployees in this sector. [[10]](#footnote-10)

**Weaknesses of the research**

With the exception of the aforementioned recommendations I find this research insufficient to be the basis for policy making. What the report is estimating (the dependent variables) is consistently referenced in relative terms; the authors hinge their claims on an assumption that workers in the survey had a choice between working in the public or private sector. The interpretation of this “signal” as reflecting conditions of government structures is unfounded. Below I have outlined other weaknesses of the research:

* Wage is a crucial part of this story which is missing in the research. The authors allude to this omitted variable briefly, but do not include it in the model. This is important because wages can impact *both* corruption and motivation, confounding the results.
* The researchers failed to identify any metric for how well any added variables worked, (i.e. difference in age, difference in gender mix, and national GDP) and were able to support the claims of Smith & Crowley. This could help quantitatively compare the fit.[[11]](#footnote-11)
* Causal claims are not grounded in evidence, we can only make correlational conclusions; corruption or motivation does not necessarily *cause* an individual to work in the private or public sector.
* The dataset of 59,604 respondents is not generalizable to 4.8 billion people as the authors claim; there was no random sampling of respondents so individuals self-selected into the survey that biases the results.
* Reverse causation is a possibility, which begs the question: is it the public sector that draws motivated workers or does the public sector instill motivation in its workforce?

In sum, a targeted approach to corruption reduction will not have an impact on characteristics or quality of public sector employees. What the research shows is that it might affect the ratio of public to private sector workers within a country. **A government policy intended on increasing quality of life for workers will have a larger impact on public sector if the educated, aged, and female working population are targeted by these initiatives**. My claim rests on the assumption that positive validating signals by an employer makes engaging in corruption less likely. Proving this claim is out of the scope of this memo, but could be the topic for further research.

1. Public sector employees in about 60% of countries found their work important; for 12% of countries this was significant; Public sector employees in about 65% of countries want to help others ; for 20% of countries this was significant [↑](#footnote-ref-1)
2. Beta of -0.0081; significant at the 5% level [↑](#footnote-ref-2)
3. “One point increase in CPI at the country level” the authors write “means three percentage point reduction in the motivation of public sector compared to private sector workers”. [↑](#footnote-ref-3)
4. Diff in age, diff in educ, diff in female, Gov Share of GDP [↑](#footnote-ref-4)
5. Beta of 0.0111; significant at the 5% level -magnitude and signs vary but are insignificant [↑](#footnote-ref-5)
6. Beta of -0.0101; significant at the 5% level [↑](#footnote-ref-6)
7. Beta of -0.0004; significant at the 5% level- magnitude not material [↑](#footnote-ref-7)
8. Being female is positively correlated and significant in 55% of countries when aggregated [↑](#footnote-ref-8)
9. Level of education is positively correlated and significant in 88% of countries when aggregated [↑](#footnote-ref-9)
10. Age was is positively correlated and significant in 61% of countries when aggregated [↑](#footnote-ref-10)
11. R2 allows us to analyze “goodness of fit” or how well the model explains the variation in estimates; and adjusted R2 would allow a side-by-side comparison of the different models allowing to probe deeper into how much each variable matters. [↑](#footnote-ref-11)