

# The Normative Model in Decline? Pay for Performance and Motivation

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# Central argument

- Market model crowds out intrinsic motivation to serve the public
- Need intrinsic values as a remedy for flaws in market model



# Defining terms

- Market model = performance measures + contingent incentives
- Public service motivation (PSM) = intrinsic desire to serve public
- Normative model = reliance on PSM norms to motivate

# Crowding out via Incentive Effects

- Experimental evidence from economics and psychology
  - Price effect: extra effort for extrinsic rewards
  - Crowding out of intrinsically motivated effort
- Illustrations:
  - New Zealand public sector
  - US welfare market
  - UK public servants

# Crowding Out via Selection Effects

- People join and stay in settings that appeal to their values
- Illustrations
  - US welfare market
  - Georgia state employees
  - Growing appeal of nonprofits

# The value of PSM to the market model

- Incomplete contracts lead to...
  - Goal displacement
  - Gaming
  - Ignoring due process outcomes
  - Overlooking management values
- Need knights, not knaves, to forgo opportunistic behavior

# Marrying Market and Normative Models

- Cannot go back to bureaucracy (and may not want to)
- Market model sometimes better

# Marrying Market and Normative Models

- Modifying market model, restoring normative model:
  - Disconnect high-powered incentives from measured performance
  - Link performance measures to intrinsic values
  - Build a public service culture
  - PSM in selection (contracting and hiring)