Public and Private Sector HRD Differences

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Public and Private Sector HRD Differences

Abstract
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Public and Private Sector HRD Differences

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A Paper in Human Resource Development

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Signature Page

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Abstract

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Chapter 1

Introduction

Purpose

The purpose of this study is to examine literature on the differences between the public and private sector with respect to human resource development (HRD). This study will define HRD, in addition to exploring various published theories on sector differences. The study will address the importance of values and their impact on HRD before discussing specific sector differences. This study will specifically explore any theoretical, human resource management (HRM), organizational development (OD), organizational commitment, wage or motivational differences between the public and private sector. This study is valuable because it will reveal and define some of the public and private sector differences with respect to human resources.

Importance of the Study

This study, in part, helps to answer the question about what is HRD and how is it defined. Several definitions have been written, but the answer is that HRD can be defined by examining the core values held by HRD practitioners. Chalofsky, (1992) states that there is a widespread agreement that the field of HRD needs a definition if it is to emerge as a profession. HRD has been striving to be recognized as a profession and not just a field of practice (Watkins, 1989).

The literature shows there is a correlation between sharing organizational values with employees and their individual or organizational success (Posner, Kouzes & Schmidt, 1985). Whether it is perceived career success, willingness to work hard, ethical behavior, understanding of goals, or personal stress, the greater the fit between individual
and organizational values the more positive the outcome. Shared values are related to feelings of personal success and are linked to organizational commitment. Managers who felt that their values were particularly compatible with those of the organization were significantly more confident that they would remain with that employer for the next five years (Posner, et al., 1985). Lastly, shared values are related to organizational goals. The goals of an organization are seen as more important by individuals who feel that their values are aligned with the organization than by individuals who feel that their values are not in sync (Posner, et al., 1985). Therefore, this study will also continue by examining literature on values since they appear to be the foundation of organizational success.

Most HRD practitioners today would agree that change has become a constant phenomenon that must be attended to and managed appropriately in order to ensure organizational survival. Changes in technology, the marketplace, information systems, social values, workforce demographics, and political environments all have a significant effect on both the processes and the products and services produced. These changes also directly impact both the public and private sectors. With the field of HRD constantly changing, it is important to address the similarities and differences between these two sectors.

**Definitions of HRD**

*Nadler, Chalofsky and Lincoln's Definition.* An early definition proposed for the HRD field was presented by Nadler (1970). Nadler defined HRD as “a series of organized activities conducted within a specified time and designed to produce behavioral change” (Chalofsky, 1992). In 1983 Chaofsky and Lincoln published a book which identified five definitions based on different perspectives of the field:
philosophical, operational, functional, field of practice and field of study. The philosophical perspective offered a definition of HRD as “systematic expansion of people’s work related abilities, focused on the attainment of both organizational and personal goals.” From an organizational context, HRD can be described as an organizational unit or function comprised of various activities and programs; and as part of a larger organizational system called human resource management. HRD is also an occupation – a profession. People who work in the field see HRD as a set of tasks, a job and/or a career. The field is comprised of different roles and competencies that define a field of practice. Lastly, HRD can be viewed as an interdisciplinary field which can be defined as “the study of how individuals and groups in organizations change through learning” (Chalofsky, 1992).

ASTD’s Definition. In 1987 ASTD agreed on the basic description of HR that included the three areas of training and development, organization development and career development. They proposed the following narrative definition of HRD based on the basic framework: “HRD is the integrated use of training and development, career development and organizational development to improve individual and organizational effectiveness” (Chalofsky, 1992).

Gilley and Eggland’s Definition. Gilley was a member of the 1987 ASTD task force, and his co-author, Eggland cited a definition that is very similar to Nadler’s definition. They state that HRD is “organized learning activities arranged within an organization in order to improve performance and/or personal growth for the purpose of improving the job, the individual and/or the organization.” They breakdown the
definition further into three components: individual development, career development and organizational development (Chalofsky, 1992).

*Smith's Definition.* Smith (1990) actually provides two definitions of HRD: “The process of determining the optimum methods of developing and improving the human resources of an organization and the systemic improvement of the performance and productivity of employees through training, education, and development and leadership, for the mutual attainment of organizational and personal goals” (Chalofsky, 1992).

*Watkins' Definition.* Watkins (1989) suggests an alternative view of HRD as “the field of study and practice responsible for the fostering of a long-term, work-related learning capacity at the individual, group, and organizational level of organizations.” Watkins' definition represents a shift from previous definitions in that it does not refer directly to learning activities and does not mention improved performance or growth. Instead, it focuses on the fostering of “learning capacity” a visionary term used in learning organization literature to mean the instilling of enhanced learning or learning how to learn in all levels of the organization (Chalofsky, 1992).

There are four common themes which emerge from these definitions which are: (1) a definition is needed that provides direction for both the field of study and the field of practice (2) the shift from learning knowledge and skills, to learning how to learn, provides the vision to advance the state of art (3) research and development efforts will need to produce new learning interventions to achieve the vision for all levels of the organization (4) the ultimate goal, both philosophically and pragmatically, is and will be to optimize human and organizational growth and effectiveness (Chalofsky, 1992).
As a result, this unified definition was created and it states “Human resource development is the study and practice of increasing the learning capacity of individuals, groups, collectives and organizations through the development and application of learning based interventions for the purpose of optimizing human and organizational growth and effectiveness” (Chalofsky, 1992).

Organization of the Paper

This study has been broken down into three chapters. Chapter 1 explained the purpose and the importance of this study. This chapter also clarified and defined HRD. Chapter 2 provides a detailed literature analysis on the public and private sector differences with respect to human resource development. This chapter begins with importance of values and how they impact HRD before it begins to address specific areas of difference within the sectors. Specifically, this study will analyze literature on moving between the two sectors, theoretical differences, organizational commitment, HRM, OD, motivational and wage differences. Chapter 3 then offers some recommendations and implications based on this literature review, and also suggests areas for future research before summarizing the entire study.
Chapter 2

Literature Review

In an effort to clearly understand this study, it is necessary to begin by analyzing literature on values since they are the foundation of all organizations. Chapter 2 will begin with the definitions of public and private organizations. It will then explore the importance of values before it discusses specific sector differences. The literature analysis will then expand on theoretical differences, in addition to HRM, OD, motivational and wage differences between the two sectors.

Definitions of Public and Private Organizations

The main distinction between public and private organizations is their ownership. Entrepreneurs or shareholders own private firms, whereas, public agencies are owned collectively by members of political communities (Boyne, 2002). Public agencies are funded largely by taxation rather than fees paid directly by customers. Secondly, political forces control public sector organizations predominantly (Boyne, 2002). In other words, their primary constraints are imposed by a political system rather then an economic system.

Two major theories attempt to distinguish the dimensions of “publicness” along with some of the differences between the public and private sectors. The two theories are the economic theory of property rights and public choice theory. First, the economic theory of property rights suggests that common ownership leads to lower efficiency in the public sector (Boyne, 2002). In private organizations, owners and shareholders have a direct monetary incentive to monitor and control the behavior of managers.
Similarly, managers themselves are likely to benefit from better performance, either because they own company shares or because their pay is linked to financial success. By contrast, property rights in the public sector are vague (Boyne, 2002). Individual voters have little to gain from expending effort on this activity and managers usually do not obtain any direct financial benefits from higher organizational efficiency. This theory suggests that public sector employees are less efficient because there are no penalties or rewards to either encourage or discourage work efficiency. In the private sector, work efficiency is often tied to evaluations and then linked to financial rewards.

According to public choice theory, organizations that receive revenues from political sponsors are likely to be unresponsive to the preferences of people who receive their services (Boyne, 2002). This theory suggests that organizations which receive money from political sources are then likely to be less responsive to the individuals that they serve. Boyne (2002) does not elaborate any further to explain the logic or reasoning behind this theory. As a researcher, my only thought behind the public choice theory is that the employees are unclear on the purpose of who they serve, since their customer is not a source of their financial funding. Organizations that are subject to political rather than economic control are likely to face many sources of authority that are potentially conflicting. Bozeman (1987) argues that political control is the essence of "publicness." Thus, all organizations are public because political authority affects some of their behavior and processes. This last theoretical argument implies that common ownership and reliance on public funding will count for nothing if effective political authority is absent (Boyne, 2002).
Literature suggests the public agencies have distinctive goals, such as equality and accountability that are absent in the private sector (Boyne, 2002). These goals stem from the common ownership of public organizations, and from attempts to control their behavior in order to achieve collective purposes. Such purposes, in turn, are believed to require distinctive management processes and values in the public sector. Another main difference between public and private organizations is the attitudes and aspirations of their staff, both toward work and life in general. The level of organizational commitment is believed to be lower in the public sector, largely because of the inflexibility of personal procedures and the weak link between performances and rewards (Boyne, 2002).

Values

Values are considered the bedrock of corporate culture. Values are principles freely selected from various alternatives after careful consideration. Values are cherished by virtue of satisfaction and by public affirmation. They are used as a guide for making choices and are used many times (Rothwell & Sredl, 2000). Individual values are brought to the workplace by each individual employee. They stem from such sources as early programming by parents and peers, educational experiences, religious beliefs and attitudes, and popular culture (Rothwell & Sredl, 2000).

Organizations also have values and they are apparent through every decision that is made and every objective that is formulated. An organization’s founders and subsequent leaders define the organization’s core values-underlying attitudes and beliefs that strongly influence individual and group behavior (Fernandez & Hogan, 2003). Values form a shared conception of what is most desirable. For instance, there is a
shared conception when a group of people share a set of beliefs about the goals needed to be achieved and the means of how to achieve them.

Values are important because managers evaluate the HRD effort relative to its perceived contribution by employees while recognizing the organization’s goals (Rothwell & Kanzanas, 1994). Individual values and desired organizational goals can vary. Also, perceptions about what is important can vary across levels of supervision. As a result, HRD practitioners have to begin evaluative efforts by defining values and the goals of the organization (Rothwell & Kanzanas, 1994).

A growing body of management literature deals with corporate culture and its relationship to organizational and individual vitality (Posner, et al., 1985). In fact, Peters and Waterman (1982) claim that if there were one piece of advice to distill from their research on excellent companies it would be, “Figure out your value system. Decide what your company stands for” (Posner, et al., 1985).

According to Value theory (Rothwell & Sredl, 2000), values are important because they tend to be structured and stable over time. In other words, individuals tend to assign a priority order to their values and the values remain relatively constant over time (Postilli, 2002). People in the same occupation are likely to share similar values. However, it should not be surprising in the process of doing similar work they often acquire similar values, ethics and even preferences. Yet some variations may exist because individuals bring different individual values to their jobs, and organizations gradually develop their own unique “cultures” (Rothwell & Sredl, 2000). Value theory can be used to provide a more normative view of the HRD process by measuring the underlying HRD related values of its practitioners.
Organizational values stem from three major sources (Rothwell & Sredl, 2000). One source is the individual values of chief power brokers and decision makers. What top managers have wanted in the past and desire for the future exerts a powerful influence on decision making, interpersonal relations and the evaluations of people and ideas. Leadership values are therefore crucial in setting the tone for the entire organization. A second source of organizational value is the experiences of the organization. The results of past actions are retained in an institutional memory and are often manifested in job descriptions and procedure manuals. A third source of organizational value is the nature of the business. Some industries and occupations carry with them an entire value system of their own (Rothwell & Sredl, 2002).

Fernandez & Hogan’s (2002) research on organizational values has led to the discovery of four distinct value clusters. These clusters explain the existence of four organizational characters: (1) the achievement type; (2) the safekeeping type; (3) the collaborative type; and (4) the creative type. These value orientations are seldom found in organizations as pure character types, but virtually all organizations center on one or another of them (Fernandez & Hogan, 2002). Organizations which embody the achievement character are power orientate. They seek recognition and need excitement. Getting results is the key to everything. The leadership is tough and demanding. Employees are competitive and goal driven. The long term focus is on taking aggressive action and enhancing the competitive position. The organizational climate is often competitive and confrontational (Fernandez & Hogan, 2002).
Organizations with the safekeeping character value security and desire to control resources. The climate inside the organization is formal and structured. The leadership is efficiency minded. Managers are expected to monitor and coordinate. Formal procedures govern what people do. The major reward for employees’ efforts is job security. Their strategy revolves around generating highly dependable products and services in a cost effective manner (Fernandez & Hogan, 2002).

Organizations with the collaborative character are friendly, helpful and traditional. Their climate is open and comfortable. Managers are expected to foster collective effort and cultivate people. Communication, cooperation and collaboration are strongly rewarded. Employee development is a strategic focus, and employee success may be defined in terms of sensitivity to customers. In these organizations, things are generally held together by a sense of affiliation and belonging (Fernandez & Hogan, 2002). Lastly, organizations with the creative character place a great deal on knowledge and imagination. The organizational climate is dynamic and conducive to learning (Fernandez & Hogan, 2002). Managers are expected to facilitate adaptation and change. Employees are rewarded for their expertise and initiative. Strategically, an emphasis is placed on rapid growth and acquiring new resources. Being a product/service leader is important to this type of organization.

The main point is that core values and purpose define the character of an organization. In fact, high performing organizations have values which are linked to their environment. This literature is important because an organization’s environment along with their values can be rather dominate and may influence the values of HRD practitioners. In fact, Karl and Sutton (1998) conducted a study on job values in today’s
workforce: a comparison of public and private sector employees. It is not surprising that job values have changed over the decades with changes in economic, social, technological and political conditions. Karl and Sutton tested three hypotheses in their study. The first hypothesis was that they expected an overall shift in the importance of job values, they also expected to find differences in the importance public and private sector employees place on certain job values. Both sectors should be concerned with maintaining a highly motivated workforce. However, several studies have demonstrated that public sector employees were less satisfied than their private sector counterparts (Karl & Sutton, 1998). The second hypothesis tested in the study was that private sector employees would rank wages higher in importance than public sector employees. Evidence suggested that private sector employees would place greater value on economic rewards rather than public sector employees, while public sector employees were more job security orientated. The third hypothesis tested in the study was that there would be no difference in the relative importance placed on job security by public and private sector employees. Studies which found job security more important to public sector employees than private sector employees were conducted in the 1970’s. The opposite was found in a more recent 1993 study. Therefore, their hypothesis was that today’s private sector employees may have increased the value they place on job security due to massive lay offs, however, public sector employees have not been immune to downsizing efforts.

The study concluded that the shift in the relative importance placed on interesting work versus good wages and job security may be due to the significant changes that have taken place in the labor market. Private sector workers ranked good wages of higher
importance than public sector workers. Wages were ranked highest in importance for private sector workers and second for public sector workers. The job value ranked highest in importance by public sector workers was interesting work. The study also found no significant difference between public and private sector employees in the importance placed on job security. The findings from this study do not concur with past research, which had found public sector workers more job security oriented than the private sector.

Moving Between Sectors

Literature suggests that there are differences between HRD practitioners in the public sector compared to those in the private sector. Specifically, public and private sector personnel appear to operate entirely separate with few practitioners moving between the two (Lupton & Shaw, 2001). Lupton and Shaw tested empirical evidence that there are differences between practitioners in the public and private sectors. The study states the differences in the context and practice of the public and private sector are reflected in the differences in the backgrounds and careers of their personnel practitioners. One would expect to find practitioners with similar backgrounds undertaking similar roles, moving easily between sectors and taking with them transferable skills to similar environments. However, continuing differences in the approach to people management might be reflected in the different characteristics of practitioners in each sector and the existence of different and separate careers.

The premise that the role and function of personnel practitioners in the public sector differs from the private sector ultimately derives from the notion of the distinct nature of public sector organizations and particularly their approach to managing the
employment relationship (Lupton & Shaw, 2001). There are a number of features of
public sector organizations that distinguish them from those in the private sector, for
example: their complex and conflicting objectives; their exposure to direct political
influence and control; the influence of numerous stakeholders with different agendas
(Lawler & Hearn, 1995).

However, Lupton and Shaw’s study (2001) did confirm the lack of movement
between the two sectors. At one level it was explained in terms of rational decision
making. Individuals would acquire human capital which had a higher investment value
in the sector in which it was acquired. Similarly, employers would be interested in hiring
practitioners with skills and experience within the relevant sector. As well as human
capital, individuals also built up other investments, such as, pensions and benefits. These
investments would bind individuals to a particular sector and the longer they remained
there, the more they would have to lose by moving.

*Theoretical.* Three conceptual frameworks have been proposed as a means of
comparing public and private sector organizations (Goulet & Frank, 2002). The three are
the generic, core and dimensional frameworks. The generic approach states that there are
virtually no differences between the public and private organizations regarding
organizational values or management functions and values (Goulet & Frank, 2002). As
its name indicates, the generic approach discounts the importance of possible differences
between public and private organizations. This framework suggests that the management
functions, organizational processes and managerial values are essentially identical across
sectoral boundaries. The generic approach suggests instead that all organizational
decisions are subject to a cost-benefit calculus of one form or another and to a variety of competing inputs (Scott & Falcone, 1998).

The core approach suggests that although some basic similarities exist, there are fundamental differences among the sectors. It is in the core framework that individual employee differences are emphasized. Although advocates of this approach generally ground their arguments in a manner that parallels their respective research, they consistently suggest that organizations can be distinguished by virtue of their formal, legal status. Granted, similarities may be found among some managerial processes or organizational tasks across sectors, but the inherent differences are by far more fundamental (Scott & Falcone, 1998).

A third and more recent approach to the public/private question distinguishes organizations according to a net outcome of political and economic authority influences. The dimensional approach focuses on the “publicness” of organizations along a continuum of “more public and less public” and suggests that the level of management attention to the organization as a public entity affects it in a variety of ways (Goulet & Frank, 2002). All organizations can thus be considered as more public along some dimensions, and more private along other dimensions, based on the extent to which they exercise or are constrained by political and economic authority (Scott & Falcone, 1998).

Organizational Commitment

Organizational commitment has been conceived of as a pattern of behaviors, a set of behavioral intentions, a motivating force, or an attitude (Goulet & Frank, 2002). The attitudinal approach defines commitment as an attitude regarding the relationship between an employee and his/her workplace (Goulet & Frank, 2002). Organizational
commitment has been associated with influencing many organizational and behavioral outcomes. When identifying the behaviors associated with high levels of organizational commitment, the most important is willingness. Willingness may be manifested in such commitment behaviors as working more hours than the organization formally requires. If a person is committed to the organization and there is work that needs to be done, that individual would be inclined to stay to finish the work.

A difference between public and private organizations concerns the attitudes and aspirations of their staff, both towards work and life in general. This distinctive set of values has recently been referred to as “public service ethos” (Boyne, 2002). Boyne, (2002) states that public sector managers are less materialistic and less likely to be motivated by financial rewards. Therefore, policies such as performance related pay or financial bonuses are less likely to enhance staff commitment or improve organizational performance. The second difference is that managers in the public sector have a stronger desire to serve the public (Boyne, 2002). The level of organizational commitment is believed to be lower in the public sector, largely because of inflexibility of personnel procedures and the weak link between performance and rewards. It is especially difficult for many public agencies to instill employees with a sense of personal significance. The primary reason is because it is difficult for public employees to observe any link between their contributions and the success of their organizations.

*Human Resource Management (HRM) Differences*

There are three environmental factors shaping the differences between the practices of the two sectors (Harel & Tzafrir, 2001/2002). The most significant factor driving those differences is the profit motive. In the private sector, organizations must
worry about their profit margins and bottom line performance. In the public sector, managers and organizations are judged by how well they provide service or correct problems. Therefore, they have high disincentives to control labor costs (Moore, 1987).

The second factor is the legal and constitutional framework which makes the public employment relationship fundamentally different from the private sector (Lee, 1992). Finally, the third difference is the diffusion of authority in the public sector compared to a single, formal line or chain of command (Moore, 1987). In the private sector, employees perceive that they have only one boss, while in the public sector, employees must respond to executive and legislative superiors. As a result, these three differences have shaped the way HRM practices are carried out in the two sectors.

Organizations from both sectors are under pressure from the outside to continually improve their performance and effectiveness. The external and internal environments of the two sectors are quite different. Managers must pay attention to these differences and not automatically duplicate the practices from one sector to another (Stewart & Ransom, 1994). Especially since private sector organizations emphasize pay for performance, while public sector organizations invest more in the selection procedure (Harel & Tzafrir, 2001/2002). In the private sector, the perception of the organizational performance is higher than in the public sector. On average, private sector organizations operate within a more hostile business environment characterized by higher competition, rapid market growth, and short product life cycles. It may be that in order to cope with the harsh environment conditions, private sector organizations have developed and continue to emphasize those HRM practices that enhance employee motivation, skills and participation (Harel & Tzafrir, 2001/2002).
Private sector organizations also tie their pay to performance more than public sector organizations. Private sector managers have greater economic and financial flexibility in navigating their workforce through a turbulent environment than their public sector counterparts. This economic flexibility provides private sector managers the resources for training and compensation contingent on the performance and the needs of the organization (Harel & Tzafrir, 2001/2002). Conversely, public sector managers do not have the same flexibility because they usually answer to bodies of interest which are non-managerial or even anti-managerial. Kurland and Egan’s (1999) research shows that little money is available to public sector employees for pay increases of any kind and that managers are not able to set pay directly. The attempt to emulate pay for performance practices in this sector may contribute to deep cynicism and perceptions of gross injustices if the money for such performance is not available, if there is not enough to go around, or if managers are not empowered to distribute it.

Secondly, this difference may be attributed to Equal Employment Opportunity regulations which require public managers to adhere to much stricter processes concerning hiring, firing, and the promotion of employees (Harel & Tzafrir, 2001/2002). As a result, there are different approaches to managing public and private sector organizations. Public sector management emphasizes HRM domains that deal with employee selection and grievance procedures due to the higher level of unionization. On the other hand, private sector management emphasizes employee growth and pay for performance. Rainey, Pandey and Bozeman found that because managers perceive little relationship between pay and performance, they issue more rules to exert greater control over employees’ behavior. Compared to private managers, public managers rely less on
an incentive system linked to pay and more on job formalization to promote and reward employees (Kurland & Egan, 1999). Research demonstrates that public managers have a greater need to control their employees because they are less subjected to external sources of accountability, such as the quality of service provided (Kurland & Egan, 1999).

Organizational Development Differences

Organizational development (OD) is associated with long-term change efforts directed toward individuals, groups, and organizations. It is intended to change or improve decision making, problem solving and group or organizational culture (Rothwell & Sredl, 2000). OD is based on several assumptions including the following: People want to belong to a work group; individual feelings affect group performance as much as facts do; leaders cannot see the needs of everyone in a group at the same time; openness and interpersonal trust are essential to group performance; most groups function far less effectively than they are capable of; and that a willingness to see others as creative and useful can be a self-fulfilling prophecy (Rothwell & Sredl, 2000).

Golembiewski (1985) has concluded that organizational development (OD) efforts do succeed in the public sector as often as in business firms. However, the public sector does have certain challenges with respect to organizational development. He states that there are five constraints to the application of OD in government as compared to the private sector. First, multiple actors have access to multiple authorities, thus presenting a complex array of possible supporters or resisters for an OD project. Another words, the public sector has a number of different authority figures to whom they can present or propose any organizational development changes. Thus, they are at greater risk for
resistance. Secondly, different interests and reward structures complicate the previous problem. Due to the number of authority figures involved in the process, the initial problem can be further complicated when the vested interest of the authority figures varies. Third, the administrative hierarchy is fragmented and weakened by these competing affiliations, thus making it harder to sustain the implementation of OD projects. Administrative officials may have stronger ties to allies and stronger commitment to their programs than to the top executives in the department. Fourth, weak links between career civil servants and politically appointed executives produce a similar problem of diffuse authority. Public sector organizations often appear disjointed with respect to the relationship between civil servants and politically appointed executives. Politically appointed executives are often placed as the “middle man” in an authoritative position between career civil servants and the political authorities who appointed them. As a result, this authoritative position can create problems with respect to the best interest of the party affected by the OD effort. Fifth, Golemiewski agrees with Kaufman (1969) that the political system continually shifts its emphasis between several goals for executive representation and executive leadership. Basically, as the result of the public sector’s affiliation to the political system, their goals may shift to represent current political authorities or leadership. Golemiewski (1985) argues that these factors interact with managerial “habits” in government in ways which hinder OD, especially since an OD effort is usually planned, organizational wide, managed from the top down to increase organizational effectiveness and health through planned interventions in the organization’s processes. Thus, it is clear to see why the public sector struggles with OD.
Change is inevitable and affects both the public and private sectors. Most OD and HRD practitioners today would agree that change has become a constant phenomenon which must be attended to and managed appropriately in order to ensure organizational survival (Church & McMahan, 1996). Given the additional pressures of change which accompany organizational growth and success, the contribution of OD and HRD professionals to management is especially meaningful. OD and HRD professionals can provide considerable value to these important areas of change management (Church & McMahan, 1996). Often three assumptions are made about the nature and function of OD and HRD in organizations. (1) All organizations experiencing change and/or "hypergrowth" have equal access to OD and HRD expertise (2) the knowledge is valued by the organization and its management and (3) the practitioners themselves, either internal or external, are in fact, knowledgeable in and skilled at change management. It is worthy to note that the literature does not imply any specific sector differences with respect to the three OD and HRD assumptions made by organizations. Yet, based on the literature written, it seems that these assumptions are for the most part a valid and accurate reflection of the contemporary practice of OD and HRD.

Motivation Differences

Expectancy theory (Vroom, 1964) is one of the most widely accepted theories of motivation. The premise is that motivation depends on how much an individual wants something relative to other things and the perceived probability that he or she will get it. For example, this theory predicts that organizational commitment depends on the alignment of what an employee wants from his or her job compared what he or she actually gets from the job.
Considerable research has asked whether public sector employees have different values and respond to different incentives than private sector employees. The question as to the causes and consequences of motivation within the public sector has been studied from several different angles, primarily because public service motivation influences such things as job choice, performance, and organizational effectiveness. In an era when the desirability of public sector employment may be overwhelmed by the persistent poor image of government and its noncompetitive pay, it is important to examine whether it contributes to employees’ performance and attitudes toward work in the public sector (Naff & Crum, 1999).

Bladwin (1984) asked whether there would be a difference in the motivation level of public and private sector employees as a result of differing incentives such as lower pay in the public sector and found there was not. More recently, Jurkiewicz, Massey and Brown (1998) found that public and private sector employees want different things from their jobs. A body of research built around attributional, anecdotal, and survey data collectively paints a picture of public sector employees as being motivated by job security and stability, teamwork, and worthwhile service to society. In the same studies, private sector employees are collectively portrayed as motivated by status, opportunity to advance, autonomy, and high pay, while being concerned with worthwhile contributions to society and job security (Jurkiewicz, Massey & Brown, 1998).

Romzek (1985) detected a strong relationship between public recognition and organizational involvement among public sector employees. Literature suggests that public employees are significantly different from their private sector counterparts with respect to motivational attributes of the job. This difference was measured on the basis of
what employees report wanting from their jobs and what they believe they are getting from them. A study conducted (Jurkiewicz, et al., 1998) reported public sector employees ranked “a stable and secure future” first, whereas, private sector employees ranked a “high salary” to be the most important. Public sector employees ranked “high prestige and social status” last while the private sector ranked “freedom from supervision” as the least important. Relative to private sector employees, public sector employees consider the “chance to exercise leadership” as much less desirable.

Wage Differences

Institutional, political, and economic factors all contribute to the determination of public sector wages. For example, Beach and Bender (2003) argue that the public sector is almost the only place in many advanced economies where unions continue to have significant presence and an influential voice in setting wages and work conditions. Political factors, such as the desire to be a good employer, may influence the public sector. As a good employer, governments may offer lower-skilled workers higher rates of pay compared to what they might receive in the private sector. On the other hand, the public sector may be adverse to paying highly skilled workers high rates of pay, particularly if the private sector does not like to see the public sector employees earn higher wages. Economic factors, such as spending and tax limits, can also affect the wage structure in the public sector (Beach & Bender, 2003).

All of these factors can make the public sector labor market be less efficient than the private sector. From an economic perspective, if government workers are paid more than private sector workers, then taxes are being wasted (Beach & Bender, 2003). If
private sector workers are paid more than government workers, then governments could not recruit or retain skilled and productive workers.

If the public sector wants to recruit, motivate and retain high performing employees, then there are two main barriers to overcome with their financial compensation program. First, most conventional public sector wage and salary programs reflect the employee’s classification rather than the employee’s performance (Cousineau & Rafuse, 2001). High performing and under performing employees in the same category often receive the same pay. Thus, many government employees have no incentive to strive for higher levels of performance.

Secondly, these programs were designed to compensate employees according to their place in the hierarchy and to encourage them to seek promotion as a way of earning larger salaries, but were not designed to help employees adapt to changing work environments and conditions (Cousineau & Rafuse, 2001). Although, using compensation as an incentive for improved performance is an accepted practice in the private sector, the idea of merit pay has been slow to catch on in the public sector. General increases and step increase policies are still the norm in the public sector (Cousineau & Rafuse, 2001).

It is apparent from the literature that wage differences do exist between the public and private sector. Based on this researcher’s personal experience and the literature reviewed, it appears that the public sector is limited by civil service policies with respect to establishing wage and salary guidelines. Whereas, the private sector is free to establish its own wage and salary policies which may also directly reflect the employees’ work performance.
Chapter Summary

A great deal of literature has been reviewed in this chapter. This chapter defined public and private sector organizations. The main distinction between the two is their ownership. The economy theory and public choice theory attempted to distinguish the dimensions of “publicness” along with some of the differences between the public and private sector. The literature review then discussed the importance of values since they are the bedrock of corporate culture. Organizational values are apparent through every decision that is made and every objective that is formulated. Values are important because managers evaluate the HRD effort relative to its perceived contribution to the values held by employees while recognizing the organization’s goals.

The literature review then discussed the obstacles with moving between the public and private sector. One would think that practitioners with similar backgrounds, undertaking similar roles would be able to easily move between the two sectors. However, the literature suggests that differences in the context and practice of the public and private sector are reflected in the differences in the backgrounds and careers of their practitioners making it difficult for them to move from one sector to another. Three theoretical frameworks were also presented as a means of comparing the public and private sectors. The three included the generic, core and dimensional theories. After comparing these frameworks, the literature review then discussed organizational commitment and specific sector differences, such as, HRM, OD, motivation and wage differences between the two sectors.
Chapter 3

Implications, Recommendations and Future Research

The primary purpose of this study was to conduct a literature review on the HRD differences between the public and private sector. After examining a great deal of literature in chapter two, this chapter will discuss some implications from the study in addition to some recommendations and suggestions for practitioners and future research.

Implications

Throughout American history, substantial shifts have occurred in the mission and vision of the public sector, for instance, the government. Today, for the first time in over a century we are experiencing one of those major value shifts that will take a decade or more to delineate fully (Van Wart, 1996). However, to produce large scale change in the public sector certain elements are necessary, such as, substantial leadership commitment and involvement, rigorous re-examination of the mission, vision and organizational values along with reconstruction of operational elements to institutional changes (Van Wart, 1996).

Most public sector organizations can no longer maintain decades of old traditions and must prepare themselves for substantial changes. Leadership will need to play a vital role in order for the value, structural and behavioral changes to occur successfully (Van Wart, 1996). Leadership will first need to encourage a fresh examination of the organization’s mission and vision. Identifying the future values to adopt requires a thorough assessment of current values, structures and behaviors as a baseline (Van Wart, 1996). Suggestions for developing this baseline are (1) ethics assessments (2) mission, vision and values assessments (3) customer and citizen assessments (4) employee
assessments (5) performance assessments (6) benchmarking and (7) quality assessments (Van Wart, 1996).

As former Vice President Gore once said, “In times such as these, the most dangerous course is to do nothing. We must have the courage to change (Van Wart, 1996).” Value shifts require a redefinition of customers and their interests. Thus, this generally leads to substantial streamlining of processes and procedures that have become enlarged and outdated. An organizational change effort is usually the result of streamlining processes and procedures.

**Recommendations**

The relative importance of various job values changes over time. Therefore, management needs to keep in touch with current employee values in order to design jobs, reward systems, and human resource policies that will result in maximum job satisfaction and productivity (Karl & Sutton, 1998).

If public sector organizations want to recruit, motivate and retain high performing employees, they should take a closer look at current compensation trends and at employee expectations. At one time, a public sector career was considered something of a reward in itself and public servants were seldom paid as highly as people doing similar jobs in the private sector. The new generation of employees, however, is less likely to consider government work their own reward (Cousineau & Rafuse, 2001). Today’s employees expect competitive pay for the work they do, whether they work in the public or private sector.
Therefore, a recommendation for the public sector practitioners is to develop a rewards program. The reward can be tailored to fit the particular culture of the organization. Some rewards can be offered to an entire group to reinforce a sense of teamwork while others may go to individuals for providing outstanding service to the public, thus, encouraging their co-workers to follow their example. Whatever the reward is, it should be something that reminds the employee of the larger goal of providing the best possible service to the public while improving productivity. If the public sector is not able to reward employees financially based on their performance, then it is vital to have another type of recognition in place to acknowledge their accomplishments, such as, merchandise, travel, recognition and status. Merchandise and travel work best in influencing short-term performance, whereas recognition and status can be used to bring about long-term change and affect organizational culture (Cousineau & Rafuse, 2001). Either way the perceived value of the reward to employees is usually greater than its actual cost to the employer.

The answer to the question of employee commitment, enthusiasm, morale, loyalty and attachment may consist not only in providing motivators, but also to remove demotivators (Zeffane, 1995). Managers of both the public and private sector need to determine how their organization inspires employee commitment through its management style. Managers no longer need to bride people into being more committed and more loyal to the organization. Rather, they must try to craft management strategies around principles emphasizing “flexibility and adaptation” so that work might be seen intrinsically more rewarding (Zeffane, 1995).
Finally, strong shared values provide individuals with a sense of success and fulfillment; a healthy assessment of the values and ethics of their colleagues, subordinates, and bosses and a greater regard for organizational objectives (Posner, et al., 1985). As a result, there are several levers human resource managers can pull to gain a “value advantage” in their organizations. The most useful are (1) programs to clarify and communicate values (2) recruitment, selection and orientation (3) training (4) rewards systems and (5) counseling support (Posner et al, 1985). It is strongly recommended that all organizations evaluate these levers to gain a value advantage in their organization. The literature has already shown the importance of organizational values and how they can impact HRD.

Future Research

Due to value shifts which occur over time, one suggestion for future research is to conduct additional studies on job values with a larger sample to increase the generalization of the findings already conducted.

Second, knowing the relevant dimensions of employee motivation is valuable information to anyone concerned with organizational performance, as is the ability to make objective assessments of what employees want from their jobs and whether they feel they are getting it. The amount of money spent on employee compensation and incentives is still the single largest budget item and especially so for the public sector (Jurkiewicz, et al., 1998). Keeping employees motivated is essential to reaching goals of productivity and efficiency. Therefore, further research on what motivates public sector employees and whether they are motivated by factors different from the private sector is strongly recommended.
Last, the lack of mobility between these two sectors is worth addressing. Mobility would provide practitioners in both sectors with the opportunity to gain experience in different environments which would enhance their development and enrich the profession (Lupton & Shaw, 2001). Therefore, future research should be conducted on the barriers to mobility and how to break them.

**Conclusion**

In closing, the purpose of this literature review was to examine literature on the HRD differences between the public and private sector. This study in part helped to answer questions about what is HRD and how it is defined. This study also addressed the importance of values and the impact that they have on HRD. Literature was reviewed on topics such as moving between the sectors, organizational commitment, human resource management, organizational development, motivational and wage differences between the public and private sector.

The literature has shown that sector differences do exist and that it is difficult to move from one sector to the other. In fact, three theoretical frameworks were used as a means of comparing public and private sector organizations. The generic approach stated that there is virtually no difference between the two sectors regarding their organizational values or management functions. The core approach suggested that although some basic similarities exist, there are fundamental differences between the sectors. The dimensional approach focused on the “publicness” of organizations, along a continuum of more public and less public. This theory suggests that all organizations could be considered public based on the extent to which they exercise or are constrained by political and economic authority.
The literature has also shown that differences exist between the public and private sector with respect to wages, employee motivation, human resource management and organizational commitment. Understanding the differences between the public and private sector is important to effectively create, implement and evaluate future HRD policies. Therefore, it is vital for practitioners in the field of HRD to understand and recognize the differences between these two sectors. In particular, it is important because these differences can impact employee recruitment, employee retention, motivation and organizational commitment. Thus, practitioners should be encouraged to work together to bridge gaps and reduce barriers which exist between these two sectors.
References


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