EMPLOYEES’ ENGAGEMENT IN THE PUBLIC SECTOR: THE IMPACT OF EXTERNALLY FOCUSED ORGANIZATIONAL CLIMATE

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ABSTRACT
Recent governmental reports emphasize that, as public services face the prospect of declining growth in investment, the quality of service citizens expect can be achieved only by putting the engagement and commitment of civil servants at the top of delivery strategies. We investigate the impact on work engagement of the organizational climate models introduced with the most recent wave of public sector reforms in Italy, requesting a switch of the focus of the public sector from the traditional inward focus of the bureaucratic model to an external focus towards citizens. We further consider the possible role of mediation of such organizational climate models between engagement and transactional and transformational styles of leadership.

Keywords: engagement, public administration, organizational climate, leadership

INTRODUCTION
Today, one of the main challenges for the public sector is to deliver improved services through a motivated workforce in an age of austerity. In fact, although the financial crisis has left governments to cope with large budget deficits, electorates still expect increased standards in public services, especially as the tax burden rises (Leslie & Canwell, 2010).

In the last thirty years, the public sector has strived to move away from the traditional bureaucratic model of organization, in response to severe pressures coming from public expense rationalization and citizens’ demand for better services, transparency and accountability (Parker and Bradley, 2000). Civil servants have been asked to embrace the goals of productivity and efficiency, while at the same time being required to make their action more accountable to external stakeholders. The pursue of these goals has been accompanied by the adoption of new models of work organization and evaluation, based, among others, on more transparent accountancy and reporting methods, target-based performance management, and performance-pay. Especially in those countries where the
bureaucratic model was strongest, the transition from traditional red tape behaviour to managerially oriented models, has no doubt placed new and additional job demands on civil servants, and has been associated with physical and psychological costs.

As a labour-intensive organization, the public sector crucially relies on its employees to perform its service delivery strategies (Kellough & Nigro, 2006) and, hence, attention must be focused on developing the critical labour component in order to improve service performance (Meyer Goldstein, 2003) while keeping budgets under control.

The public administration literature has devoted ample attention to human resource management issues and, more recently, has recognised the importance of employees’ positive psychological constructs as key drivers of organizational performance (Vigoda-Gadot & Beeri, 2011; Perry & Wise, 1990; Paarlberg & LaVigna, 2010; Bellè, 2012).

In the last decade, within Positive Organizational Behaviour (POB) (Luthans, 2002) a growing attention has been paid to the concept of work engagement, a construct described as a positive, rewarding work-related psychological state characterized by energy and mental resilience at work, by strong involvement at work matched with feelings of enthusiasm, pride and challenge, by great concentration and happy interest at work (Schaufeli et al., 2002). The interest of the engagement construct stems from the fact that it is an antecedent of several outcomes such as OCB, commitment on the job, and job satisfaction (Saks et al., 2006). Growing evidence suggests that engaged employees produce better organizational performance (Salanova et al., 2005). In particular, engaged employees are willing not only to give rise to better in-role performance but also to take part in extra-role activities and innovativeness (Hakanen et al., 2008).

Interest in the concept of engagement is not limited to academia, since recent governmental documents and white papers have emphasised that, as public services face the prospect of declining growth in investment and cost-cutting, the quality of service citizens demand from the public sector can be achieved only by putting the enthusiasm, engagement and commitment of civil servants at the top of delivery strategies (MacLeod & Clarke, 2009; Kernaghan, 2011).

The relations between the new managerial oriented models of public sector organization and the work engagement of civil servants represents an important issue for research and public management and, to the best of our knowledge, has not been addressed so far by the public sector literature.

According to the Job Demand-Resources model (J D-R) (Bakker et al., 2003) engagement on the job stems from the provision of organizational resources, while an unbalanced ratio between organizational resources and job demands determines low engagement and high stress (Bakker et al., 2007). Within this framework, whether the changes in the public sector have an impact on civil servants’ engagement depends on whether resources have been provided in the workplace to balance and offset the new demands.

The literature on engagement has emphasized the crucial role of management and of middle management in particular as key providers of resources that can get employees engaged (Harter et al., 2002; Janssen and Van Yperen, 2004; Tuckey et al., 2012). In the public sector, middle managers have been acknowledged as agents of organizational renewal (Huy, 2002; Balogun & Johnson, 2004) and as key actors in the implementation of public sector strategic
changes (Currie & Procter, 2005). Middle managers act as “brokers”, since they perform a coordinating role mediating, negotiating and interpreting connections between the institutional and technical levels (Floyd & Wooldridge, 1997; Shi et al., 2009).

The aim of this study is to contribute to the understanding of the determinants of engagement among civil servants. To this end we develop and test a model that envisages middle managers in public organizations both as a potential lever to create engaged employees through their leadership, and as brokers of the implementation of changes. Different leadership styles are bound to determine a different job resource-demand mix, and thus impact differently on workers’ engagement. With reference to the brokerage role of middle managers, we assume that one key path through which they enact changes coherent with the mandate of public sector reforms’ is through the creation of appropriate organizational climate models, i.e. through the creation of shared perceptions among subordinates about the values, norms, and behavior aligned with the reforms’ prescriptions (Denison, 1996). In turn, these organizational climates will have an impact on workers’ engagement, since they embody the mix of resources and demands implied by public sector reforms.

Although the two paths to engagement (from middle managers’ leadership style and from organizational climate models consistent with public sector reforms) could be analyzed separately, we argue that a unified model is appropriate. In fact, although institutional theory (Meyer & Rowan, 1983; Di Maggio & Powell, 1983) predicts that, given the pressure by top management and external environment to implement the reform, all peripheral units should share the same organizational climate, the brokerage role played by middle managers through their leadership style determines the degree to which these organizational climates are implemented, and therefore, the final impact on engagement.

To sum up, our model allows us to study two different paths stemming from middle management leadership to engagement: a direct relation between the leadership styles and work engagement, and an indirect path mediated by organizational climate.

The rest of the paper is organized as follows: we first review the relevant literature which guides us in the formulation of hypotheses, next we present the methodology and the study design, model estimation results, and conclude with a discussion of the implications of our research.

THEORETICAL FRAMEWORK

Employee’s engagement and J D-R model

It is possible to identify different strands of research tackling engagement. They embrace personal engagement, employee engagement, work engagement, and burnout/engagement (Simpson, 2009). While the first engagement construct encompasses individual, work context and outside work antecedents of engagement (Kahn, 1990), the other constructs have a narrower focus as they include only work-related antecedents and consequences.

In the present paper we adopt the definition of engagement provided by Schaufeli et al. (2002), and focus on the positive, rewarding work-related psychological state which is characterized by energy and mental resilience at work, by strong involvement at work matched with feelings of significance, enthusiasm inspiration, pride and challenge, by great concentration and happy interest at work. Vigor, dedication and absorption at work are the
fundamental features of work engagement which, according to these authors, is a quite persistent and pervasive affective-cognitive state. The Utrecht Work Engagement Scale (UWES), a self-report questionnaire first developed by Schaufeli and Bakker (2003) makes the three aspects of work engagement operational. The definition adopted relies on the consideration that engagement is not just a trait-like factor, but may vary within the same person over time (Sonnentag, 2003; Sonnentag et al., 2010), as a result of the experience of the work activity (Bakker et al., 2008).

In order to explain how the work experience affects engagement, the Job Demand-Resources model (J D-R) posits that every job is characterized by specific factors which may be classified in two general categories: job demands and job resources (Bakker et al., 2003).

Job demands are those physical, psychological, social and organizational features of the job calling for continuous physical and psychological effort or ability, and which are associated with physical and psychological costs.

Job resources are those physical, psychological, social and organizational features of the job that foster employees’ growth and learning, increase job competence and - by offering decision space and social support - meet the employees’ need for autonomy and competence, as well as their need to belong to. Building on Social Exchange Theory (Emerson, 1976; Cropanzano & Mitchell, 2005), Sacks (2006) argues that the amount of cognitive, emotional, and physical resources devoted in the work role by employees is dependent on the economic and socio-emotional resources received from the organization. Examples include support from colleagues and from the manager, performance feedback, autonomy, and professional growth opportunities. Job resources may counterbalance the effects of job demands and the associated costs (Schaufeli & Bakker, 2004). The job resources are paralleled and reinforced by personal resources which stem from characteristics of the individual employee such as optimism, resilience, and self-efficacy (Bakker, 2011).

There is growing evidence that when adequate resources are provided, employees are much more willing to dedicate their efforts and competencies to the work tasks (Bakker & Schaufeli, 2008). In particular, engagement is positively related with autonomy, leader–member exchange, and the extent of opportunities for learning and development (Bakker & Bal, 2010), gratification of essential needs and attainment of work objective (Schaufeli & Salanova, 2007), performance feedback, social support, and supervisory coaching (Schaufeli & Bakker, 2004), job control, information, supervisory support and innovative climate (Hakanen et al., 2006), rewards and recognition (Koyuncu et al., 2006). Finally, support for a causal relation between engagement and job resources is provided by longitudinal studies (de Lange et al., 2008; Hakanen et al., 2008; Mauno et al., 2007; Schaufeli et al., 2008).

Engagement: its meaning for the public sector

Positive states such as work engagement play an important role in public organizations. Traditionally, civil servants have been portrayed as interested only in supporting changes that expand the activities of the public sector and increase public sector budgets (Downs, 1964). In this view, such policies represent a way to protect their jobs, to obtain higher salaries, and to gain more power. However, more recent empirical support indicates that civil servants are capable of placing a high value on the intrinsic rewards of their work (among others Houston, 2000; Perry et al., 2008), and in giving their support for the organization change-oriented efforts (Naff & Crum, 1999).
Engagement is a useful concept for public organizations and complementary to other widely studied concept such as Organizational Citizenship Behaviour (OCB) (Vigota-Gadoot & Beeri, 2011) and public service motivation (PSM) (Perry, 1996).

With respect to OCB, both conceptual and indirect empirical evidence suggests that work engagement is an antecedent of OCB. OCB is altruistic behaviour towards the organization, characterised by conscientiousness, civic virtue, courtesy towards fellow workers, and sportsmanship (Organ, 1988; Podsakoff et al., 2000). Both a negative relation between OCB and burnout (Chiu & Tsai, 2006) and a positive relation between organizational commitment and OCB (Ehigie & Otukoya, 2005) have been used to argue in favour of engagement as an antecedent of OCB, given that engagement is at odds with burnout and that it is an antecedent of organizational commitment (Hakanen et al., 2006).

As for PSM, it has been defined as “a general, altruistic motivation to serve the interests of a community of people, a state, a nation or humankind” (Rainey & Steinbauer, 1999). As such, PSM goes beyond self-interest, and may entail the provision of effort through self-sacrifice, i.e. out of concern for its costs (Francois, 2000). Like engagement, PSM is not necessarily the result of a transactional exchange and can be present even in the absence of material rewards such as promotions, and income. Both PSM and engagement studies are built under the general contention that civil servants’ actions are not motivated by utilitarian incentives, or that, at least, civil servants are less dependent on monetary incentives than private sector employees to perform their duties.

However, unlike PSM, engagement emphasizes enjoyment and pleasure as drivers of effort on the job, and is therefore more akin to intrinsic motivation (Grant, 2008). Elaborating on the discussion by Perry et al. (2010), PSM might be heterogeneous across the public sector, as one might plausibly expect PSM to be higher in educational institutions, social services, and fire-fighters with respect to accounting departments. Therefore, PSM cannot be expected to motivate ubiquitously behavior that leads to public sector performance (Wise, 2000). In particular, nowadays, many public sector organizations work within the framework of quasi-markets, in which public and private entities compete. In this setting the competitive motive is emphasized and the altruistic motive downsized (LeGrand, 2003). Hence, as the public sector moves towards greater competition with private providers and enlarges its range of activities, performance must find intrinsic motivation in self-gratification. Next, since PSM is not contingent on feelings of pleasure, PSM might coexist with burnout. Civil servants might pursue public sector motives, at the cost of their physical and psychological integrity.

The above discussion not only points to the complementarities between engagement and other motivational constructs relevant for public sector performance but also highlights that the concept of engagement can provide a potential linkage between developmental interventions and authentic performance improvement throughout the public sector based on the positive strengths of employees.

**Public sector reforms and civil servants behaviour**

For a number of years already, New Public Management has called for the transformation of the bureaucratic structures of public organizations into a more effective and efficient type of activity (Bernier & Hafsi, 2007). The reasoning behind such a call for reforming the public sector emphasizes that the rapidly changing nature of economy and society requires public administration to conform more closely to the managerial practices and organizational
models originally developed for the private sector (Lane, 1997; Weibel et al., 2010). Common features have been the introduction of accruals accounting, management control, and performance measurement, and an increasing emphasis on external reporting (Hood, 1995).

The argument of NPM driven reforms is that the introduction of new organizational models and managerial practises would lead civil servants to shift away from bureaucratic behaviour and to become more outcome- and customer service-oriented. However, since the specificities of the public sector remain, civil servants are required to adopt organizational behaviours that may compensate for bureaucratic red tape, slow procedures, and inflexibility (Vigoda-Gadot, 2007).

Predicting the impact of reforms is not easy since they can run slowly and proceed in staggering fashion. Moreover, they do not always produce the intended outcomes because of gaps between the formal design of change and its actual implementation at the management level, and, more generally, because of inertia in civil servants’ behaviour. In fact, adopting new managerial practices into public systems and in service to demanding citizens must involve a comprehensive set of change-oriented behaviour among public personnel. These changes include wider adoption of information technology, changes in the organization of the workplace, being more accountable to citizens-clients, and facing increased competition from private sector service providers (Vigoda-Gadot & Beeri, 2011).

In order to predict the impact of public sector reforms on civil servants’ behaviour and public sector performance, O’Toole and Meier (1999) posit that civil service reform can be viewed as environmental shocks to the system. These shocks can be destabilizing and may negatively affect organizational performance in the short term (Boyne & Meier, 2009; Rubin & Kellough, 2013). One key to interpret this result is that the reforms are perceived as placing new and additional demands on workers, thus creating more stressful job conditions, whereas the resources available to civil servants are not perceived as appropriate to cope with such demands.

The problem of perceived additional demands is exacerbated in those countries where, following the global crisis, public organizations are facing severe challenges to respect efficiency and innovation targets, due to strictly limited financial resources and cost-cutting. We argue that where public organizations cannot provide any kind of material support (promotions, monetary rewards, etc.) to motivate employees in addressing increased demands, managers can play a crucial role, especially those middle managers who are responsible for the day-by-day operations. Today, a major challenge for many public organizations is to establish a leadership that can maximize the public interest, and reconcile this goal with a tight budget (Vigoda-Gadot & Beeri, 2011).

The role of middle management and organizational climate

What makes middle managers unique is their access to top management coupled with their knowledge of operations. It is this combination that enables them to function as mediators between the organization’s strategy and day-to-day activities (Nonaka, 1994; Wooldridge et al., 2008). Shi et al. (2009) refined this broker role attributed to middle managers as mediator between top management and employees considering the multidimensional and sometimes conflicting goals that the organization ask managers to pursue and the degree of autonomy they have in applying the strategy process.
Extant research about reforms in the public sector has stressed the role of public managers as leaders, and their contribution to the innovation of organizational structures, the improvement of processes, the creation of appropriate constructive cultures and climates for public servants in order to motivate their workers to innovate and to make constructive changes (Van Slyke & Alexander, 2006). In particular, administrative leaders rather than having a passive role in public bureaucracies may have a strong influence on operational activities, crucial to the implementation of the reforms of local governments (Cristofoli et al., 2011).

As for public sector middle managers, earlier acknowledgments of their influential position focused on middle managers as sources of resistance to change (Guth & MacMillan, 1986; Fenton-O’Creevy, 1996). In this view, middle managers had prospered in pre-NPM times because they had developed in public organizations an isolated work culture, thus exerting their discretion power over critical process and information flows. In this respect, the transparency, the accountability, and the external scrutiny requested by reforms would have been at odds with the status quo of middle management power structure. Therefore, reforms might be seen as a threat to the traditional authority and job security of middle managers.

However, later accounts have highlighted the potential of middle managers as agents of change (Huy, 2002; Balogun and Johnson, 2004; Currie and Procter, 2005), as they perform a coordinating role where they mediate, negotiate and interpret connections between the institutional and technical levels (Floyd & Wooldridge, 1997). This brokerage role allows them to influence the performance of public organizations, and to be core to organisational renewal (Floyd & Wooldridge, 1997; Shi et al., 2009). Moreover, since both continuity and change have to be assured (Brown & Eisenhardt, 1997; Leana & Barry, 2000), maintaining continuity into their working units during relevant changes is a task that totally falls to middle managers (Huy, 2002; Piderit, 2000).

The application of reforms implies that there is an institutional pressure to create an organizational climate which moves away from formal rules and procedures as control mechanisms and focuses on external environment and readiness to change while uses planning and goal setting to achieve productivity and efficiency. According to their brokerage role, middle managers can transfer to civil servants the organizational climate models consistent with the reform.

Organizational climate has been defined as the shared perception of what behaviours are expected and rewarded inside the organization (Zohar & Luria, 2005). It has been further defined as a reflection of the collective attitudes and behaviour of the organization members (Burnes & James, 1995). Climate is often considered actionable, i.e. management can shape climate in order to pursue organizational goals and affect performance (Litwin and Stringer, 1968; Denison, 1996; Rogg et al., 2001; Haakonsson et al., 2008). Managers’ influence over climate is important since successful leaders tend to create a climate within the work environment where they are able to assist employees to set and achieve individual, team, and ultimately organizational objectives (Perryer & Jordan, 2005; Salvaggio et al., 2007). Hence, in the public sector, climate can be used to create shared perceptions among subordinates about the values, norms, and behavior aligned with the reforms’ prescriptions.
MODEL AND HYPOTHESES

Leadership styles and engagement

Middle managers play key roles in directly motivating civil servants. According to Wayne et al. (1997), “the exchange between an employee and his or her direct superior is the primary determinant of employee behaviour” (p. 103).

In examining the relationship between managers and employees’ behaviour, Blau’s (1964) concept of social exchange, which refers to relationships that involve unspecified future obligations, has been found to be very useful. Social exchange provides a different basis for casting relationships from economic or transactional exchanges in which the obligations are clearly specified and are more short-term in orientation. Macneil (1985) described a continuum of exchange and relational contracts. On the one hand, exchange contracts are economic in nature, based on transactions, and are short-term (Konovsky & Pugh, 1994). Relational contracts, on the other hand, take the form of social exchange, covenantal, and psychological contracts, which go beyond economic exchange and strictly transactional contracts. Social exchange explains why subordinates become obligated to their supervisors, and contribute in ways that transcend the requirements of the formal employment contract (Settoon et al., 1996).

The crucial role of management in getting employees engaged is emphasised by Harter et al. (2002) and Tuckey et al. (2012) who argue that this connection stems from factors that are strictly linked to the manager’s choices and actions. In particular, Janssen and Van Yperen (2004) highlight the role of individual immediate managers and supervisors in terms of day-to-day individual support (e.g. performance appraisal) and development of work teams. Thus, immediate managers’ action is crucial in shaping the work context, making available for each employee resources such as support from colleagues, performance feedback, worker’s autonomy, and professional growth opportunities. Consistent with this approach, the Job Demand-Resource model expressly envisages the inspiring vision of the supervisor among the job resources promoting engagement (Llorens et al., 2007; Xanthopoulou et al., 2009).

Notwithstanding leadership can have a great impact on engaging employees within the organization, whether transactional or transformational styles of leadership play different roles in making employees engaged or not is not yet clear.

Although there is no direct evidence on the direction of the linkage between transactional leadership (Bass, 1985) and work engagement, several authors back the contention that the transactional style contributes negatively or not at all to employees' work engagement, due to the lack of inspirational appeal (Tims et al., 2011; van Vugt et al., 2004) and intrinsic motivation (Deci et al., 1999). This assumption is in line with recent findings from the public sector, where the transactional style of leadership is predominant due to the bureaucratic model of organization. MacLeod and Clarke (2009) find a generally low level of engagement among the UK civil servants and suggest that departments with higher engagement levels perform better. Similarly, research in Canada finds a positive link between engagement, customer service, trust and public confidence (Kernaghan, 2011).

To conclude, extant research favours the hypothesis that transactional leadership undermines the level of engagement of the employees, leading to the following hypothesis:
H1: Transactional leadership has a negative direct or no impact on engagement.

Transformational leadership is defined as leadership style that transforms the norms and values of the employees, whereby the leader motivates the workers to have extra-role behaviour. This leadership style focuses on the enhancement of employees' participation in the goals of the organization (Bass, 1985). According to Podsakoff et al. (1990), transformational leadership aims at increasing employees’ awareness of task outcomes, at stimulating employees both to activate their higher-order needs and to act in the interests of their work-unit. Transformational leaders provide an inspiring vision of goals that can help overcome egoism and narrow task perspective in organizations, as they exploit new vitalities among employees.

Transformational leadership emerges as a style that fosters the development of employee engagement (Kaiser et al., 2008). Currently, to the best of our knowledge, there is limited direct evidence of a link between transformational leadership and work engagement (Tims et al., 2011). Indirect evidence is provided by the finding that when employees perceive positive interactions with their managers (Bakker & Schaufeli, 2008) as well as when leaders focus on relationship building and trust development (Cartwright & Holmes, 2006) increased levels of engagement can be detected among employees. Additionally, a transformational leadership style leads to increased organizational commitment and job satisfaction that are proved to be linked with employees’ engagement (Walumbwa et al., 2005; Walumbwa et al., 2008).

Transformational leadership would then be expected to increase the feeling that followers are making a valued contribution to the organization determining an increased levels of identification with the work being done (Avolio, 1999; Bass, 1998), and consequently higher work engagement (Zhu et al., 2009). Transformational leaders also have been described as paying closer attention to their employees’ needs for achievement and growth, while also encouraging them to take on greater responsibilities to develop their full potential (Avolio, 1999; Kark & Shamir, 2002). Thus, employees working with such leaders would be expected to experience higher levels of work engagement, due both to the greater responsibility they are used to get and to the freedom they have to contribute to the organizational performance.

Thus we formulate the following hypothesis:

H2: Transformational leadership has a positive direct impact on engagement

Organizational climate and work engagement

In order to identify organizational climate models consistent with public sector reforms we draw from one highly rated model of organizational climate, namely the Competing Values Framework (CVF) developed by Quinn and Rohrbaugh (1981, 1983). The CVF explicitly recognises that within organizations multiple competing values and cultures may coexist. The organizational competing values correspond to well-known dilemmas of organizational life. The first dilemma regards the choice between a focus on the internal environment and inner processes vs. the external environment and relationships with the outside (e.g. suppliers, customers). A second dilemma concerns the emphasis put on control over resources and processes vs. flexibility. By crossing external/internal focus with control/flexibility, four alternative organizational models can be identified:
- the Human Relations model (internal focus and flexibility) uses cohesion and morale to achieve human resources development;

- the Open System model (flexibility and external focus) is characterised by flexibility and external focus, and attributes the foremost importance to the goals of growth, and external support, and to flexibility and readiness as means of reaching such ends;

- the Rational Goal model (external focus and control) adopts planning and goal setting as means to achieve productivity and efficiency;

- the Internal Process model (internal focus and control) stresses stability trying to minimise interactions with the external environment by means of vertical communication and formal rules.

The CVF has already been applied to interpret public sector reforms and to identify the organizational model coherent with the reform goals (Bradley & Parker, 2006). In our view, two are the CVF quadrants consistent with NPM oriented reforms: the Open System (OS) and the Rational Goal (RG). Both models share the focus towards external stakeholders of public organizations, although with a different emphasis on control.

Both the OS and RG climate models can be interpreted as placing demands on civil servants while also offering resources that offset the costs created by these demands. The balance between demands-resources determines the extent of work engagement (Hakanen et al., 2006).

In particular, in terms of demand, in the OS model, internal change programmes may create heterogeneous, conflicting and fluid organizational identities in place of uniform and stable ones (Skalen, 2004). Also, in the RG model, performance evaluation creates mixed requests for achieving unit’s own objectives while pressing to maximize intra-organizational cooperation and whole-of-government objectives (Emery & Giauque, 2003).

It has been claimed that reforms have over-emphasized structures, demanding increased unproductive work such as reporting (Farrell & Morris, 1999), and have paid insufficient attention to cultural change and staff concerns (Coram & Burnes, 2001).

Looking at the models in terms of resources, the implementation of an OS model asks managers to facilitate and to support adaptation and change, and to absorb uncertainty by monitoring the environment and by fostering participation in decision processes (O'Neill & Quinn, 1993; DiPadova & Faerman, 1993). In the RG model, key management activities include planning, directing, goal setting and evaluating performance (Cooper & Quinn, 1993). Thus, employees working in such climate models may receive from their organization sufficient job resources to pursue efficiency, transparency, and accountability goals.

Job resources are particularly relevant under highly stressful conditions, when employees’ engagement can take place only if they receive support and appreciation from their supervisor and colleagues and when they perceive a supportive climate (Bakker et al., 2007; Luthans et al., 2008). In this direction, since we consider that the application of the public sector reforms requires significant and potentially stressful change to the employees, the organizational climate perceived within the organization can affect employees’ engagement (Koene et al.,
Taking into account our hypotheses H1 and H2, envisaging a direct effect of transformational leadership on engagement, and a null effect of transactional leadership on engagement, we posit that the mediation of organizational climate between transformational leadership and engagement is partial, whereas the mediation between transactional leadership and engagement is total.

**H3**: Organizational climate partially mediates between transformational leadership and engagement.

**H4**: Organizational climate totally mediates between transactional leadership and engagement.

Figure 1 summarises the model hypotheses.

![Figure 1 – Hypothesised model](image)

**METHODS**

**Sample**

In order to empirically test the above model, a questionnaire was developed and submitted to the employees of 18 Italian local governments, ranging from very small municipalities (population < 10,000) to large towns (population > 250,000). Italian municipalities underwent a significant reform of civil service in 2009, meant to introduce performance management and greater accountability towards citizens, and therefore, represent an up-to-date example of civil servants’ response to a reform in terms of engagement.

Respondents belonged to a variety of departments within the municipalities (tax collection, human resources, engineering, city development and maintenance, welfare, culture and education), to different jobs and assignment (clerks, accountants, engineers, social workers, technical occupations), and to different positions in the organizational hierarchy (employees, low- and mid-level managers).
A total of 2680 valid responses were obtained in the course of 2012. Although we attempted to elicit basic socio-demographic variables (gender, age, education, work role, seniority), in addition to the constructs of interest, the great majority of participants did not provide personal information, most probably for fear of being recognised.

**Measures**

Transactional and Transformational Leadership were measured using the Leader Behavior Scale (Podsakoff et al., 1990). Climate was assessed by means of OS and RG models of climate as made operational by Patterson et al. (2005). Engagement was measured through the 9-item UWES engagement scale (Shaufeli et al., 2003).

All the constructs used were subject to validation through Confirmatory Factor Analysis (CFA) in order to keep account of the different cultural and organizational context to which they were being applied with respect to the extant literature.

Concerning climate scales, since the model validated by Patterson et al. (2005) hypothesizes the existence of six scales belonging to the RG model (Clarity of Organizational Goals, Effort, Performance Feedback, Quality, Efficiency, and Pressure to Produce), we started by assessing how well this six-factor structure described the co-variation between items. Correlation among latent factors was allowed. A negative correlation was found between the scale Efficiency and some of the remaining scales. We then proceeded to test for the existence of a second order RG factor encompassing the remaining five scales. The model was further refined by dropping the Pressure to produce scale because of a low loading. The final second order structure, encompassing Clarity of Organizational Goals (alpha = 0.855), Effort (alpha = 0.829), Performance Feedback (alpha = 0.621), and Quality (alpha = 0.863), exhibited satisfactory fit indices (RMSEA = 0.048, SRMR = 0.018, CFI = 0.988, TLI = 0.979). Loading factors for first order factors were all above 0.6. Efficiency (alpha = 0.800) was considered as a separate scale from the remaining RG model.

Regarding the Open System model, we begun by conducting CFA on the factor structure hypothesized by Patterson et al., encompassing three scales: Outward Focus, Reflexivity, and Flexibility. We then proceeded to test for the existence of a second order factor structure. The final model structure validated includes two first order factors, namely Flexibility (alpha = 0.986) and Reflexivity (alpha = 0.846) mapping on a second order construct, while Outward Focus (alpha = 0.766) was considered as a separate factor. The fit indexes of this model were all adequate and loadings exceeded 0.6.

Following Podsakoff et al. (1990), transformational leadership was measured by a second order factor, Core Transformational, encompassing three scales: Vision (alpha = 0.943), Model (alpha = 0.925), and Group Goals (alpha = 0.952). Other first order factors that define Transformational Leadership are High Performance Expectations (alpha = 0.837), Providing Individual Support (alpha = 0.827), and Intellectual Stimulation (alpha = 0.893). Transactional Leadership (alpha = 0.919) was measured through a 4-item factor. Goodness of fit indices were satisfactory (RMSEA= 0.054; CFI=0.970, TLI=0.966, SMRS=0.034).

**RESULTS**

Table 1 reports path coefficients obtained from the estimation of the SEM model. Goodness of fit indices for the model are satisfactory. Standardized path coefficients and p-values are
shown for each path of the hypothesized model. Considering the impact of leadership style on engagement, the path coefficient of transformational leadership on climate scales are all positive and significant, except for Efficiency. As for transactional leadership, path coefficients are all positive except for Outward Focus. All climate dimensions have a positive impact on engagement, suggesting that the resources offered by these climate models more than offset the job demands they pose to workers. However, the impact of Outward Focus on engagement is statistically insignificant.

**Table 1 – Path coefficients from SEM model**

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Predictors</th>
<th>Transactional Leadership</th>
<th>Transactional Leadership</th>
<th>Open Systems</th>
<th>Outward focus</th>
<th>Efficiency</th>
<th>Rational Goals</th>
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<td>Open Systems</td>
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<tr>
<td>Outward focus</td>
<td></td>
<td>0.229**</td>
<td>0.125*</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Efficiency</td>
<td></td>
<td>-0.105*</td>
<td>0.058</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rational Goals</td>
<td></td>
<td>0.582**</td>
<td>0.153**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Engagement</td>
<td></td>
<td>0.170**</td>
<td>-0.068</td>
<td>0.101*</td>
<td>0.017</td>
<td>0.157**</td>
<td>0.534**</td>
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</tbody>
</table>

Goodness of fit indices: RMSEA = 0.048 (C.I. 0.047-0.049), CFI = 0.929, TLI = 0.925, SRMR = 0.066

Table 2 tests mediation effects by breaking down direct effects of leadership styles on engagement and indirect effects via organizational climate dimensions. The table shows that transformational leadership has a significant impact both directly and indirectly, with the indirect effect being the strongest, especially via the Rational Goals model. On the contrary, Transactional leadership has no direct impact on engagement and the only significant impact takes place through the mediation of climate, especially Rational Goals and Open Systems.

Summing up, considering direct effects of leadership on engagement, only Transformational Leadership is significantly related to engagement, whereas Transactional leadership has no significant direct impact on engagement, thus confirming Hypotheses 1 and 2 in our model.

The total impact of transformational leadership on engagement is one of partial mediation: transformational leaders are prone to adopt both flexible and change oriented climate models (Open Systems), as well as models emphasizing clear goals, and performance feedback (Rational Goals), and these, in turn, are positively related to engagement.

The effect of transactional leadership on engagement, on the other hand, is one of total mediation: the direct effect is insignificant, while a significant indirect effect takes place through the Rational Goal climate. Overall, these results confirm Hypotheses 3 and 4 concerning mediation effects of climate.
CONCLUSIONS

We believe that interesting managerial considerations are to be drawn from this study. In particular, our aim is to highlight the role public sector middle management can play in affecting employees’ work engagement and to determine what values and practices managers should prioritize when their subordinates are not engaged.

Our results highlight that the implementation of climate models consistent with recent public sector reforms is not necessarily detrimental to civil servants’ engagement. To the contrary, both climate models emphasising flexibility and innovation and those stressing performance and goal setting increase engagement. The effect of innovation and flexibility oriented climate, however, is weaker, possibly a reflection of the fact that innovation values are at odds with the traditional bureaucratic culture still prevalent in municipalities.

Both transactional and transformational leaderships have positive effects on engagement, but the size of the effect of transformational leadership on engagement is larger, suggesting that, as part of a general strategy to generate or foster civil service engagement, efforts should be put in encouraging transformational approaches.

REFERENCES


Table 2 – Breakdown of direct and indirect effects on engagement

<table>
<thead>
<tr>
<th></th>
<th>Transformational</th>
<th>Transactional</th>
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<tbody>
<tr>
<td>Total effects on engagement</td>
<td>0.526**</td>
<td>0.036</td>
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<tr>
<td>Direct effect</td>
<td>0.170**</td>
<td>-0.054</td>
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<tr>
<td>Total indirect</td>
<td>0.356**</td>
<td>0.103**</td>
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<td>via OUTWARD FOCUS</td>
<td>0.004</td>
<td>-0.002</td>
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<tr>
<td>Via OPEN SYSTEMS</td>
<td>0.057*</td>
<td>0.015</td>
</tr>
<tr>
<td>Via EFFICIENCY</td>
<td>-0.017</td>
<td>0.009</td>
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<tr>
<td>Via RATIONAL GOALS</td>
<td>0.311**</td>
<td>0.082**</td>
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</tbody>
</table>

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