UNIVERSITY OF SARAJEVO
SCHOOL OF ECONOMICS AND BUSINESS

UNIVERSITY OF LJUBLJANA
FACULTY OF ECONOMICS

MASTER'S THESIS

MOTIVATION OF PUBLIC SECTOR EMPLOYEES: THE CASE OF THE NOVI GRAD SARAJEVO MUNICIPALITY

Ljubljana, January 2014   MERIMA KARIĆ

AUTHORSHIP STATEMENT

The undersigned Merima Karić, a student at the University of Ljubljana, Faculty of Economics, (hereafter: FELU), declare that I am the author of the master's thesis entitled "Motivation of Public Sector Employees: The Case of the Novi Grad Sarajevo Municipality", written under supervision of Ph.D. Elvir Čizmić.

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TABLE OF CONTENTS

CONCLUSION

REFERENCE LIST

APPENDIX

Appendix A

TABLE OF FIGURES

INTRODUCTION

According to Armstrong (2006) human resource management (hereinafter: HRM) is the strategic and coherent approach to the management of an organization's most valued assets – the people working there who individually and collectively contribute to the achievement of the objectives of the business. Human resources are the most valued assets of public organizations because of the fact that most of public organizations provide services, so the role of employees is essential. The difference between private organizations and public organizations is that the first one can use technology to reduce the number of employees, in a large degree, by automating the production. Public organizations that provide services still rely on professionalism and competence of human resources. The mission of HRM of an organization is to ensure the effective use of employees' knowledge, skills, abilities and other characteristics to accomplish organizational goals. In order to be productive and effective, employees have to be motivated in particular ways. In this way, motivation can be seen as the heart of HRM.

HRM is based on the mutual satisfaction. On the one side the employees have to achieve the company's objectives in an efficient and productive way, and on the other side the employees expect a compensation for their work in mind of wages, benefits, promotion, and so on. On this point motivation comes into focus. Motivation is the inner drive that influences a person's behavior toward goal achievement. Public organizations most times fulfill their goals through employees, so it is crucial to have efficient and productive staff. Motivated employees contribute to the long-term success of the organization trough creativity, innovation, and their orientation towards costumers, which is of utmost importance in the public sector.

The most influential productivity factor is job performance, and it is a function of four variables (Mitchell, 1982, pp.82-83): ability, understanding of the task, environment, and motivation. In his article Behn (1995) forced management scholars to focus their research on motivation, as one of the most important questions of public management. As many authors have recognized the importance of motivation, a big number of theories and approaches were developed. In the beginning most of the literature referred to the private sector. The topic of motivation of public sector employees has become popular since the work of Perry and Wise (1990) and Behn (1995). Today, the global financial crisis forces governments and public sector organizations to motivate employees in order to become more productive, and to help to overcome the problems caused by the crisis.

According to Perry and Porter (1982) productivity seeks to get "more for less". Motivation and productivity are in a positive correlation. They impact each other. So, when motivation in an organization increases, the expectation is that productivity increases too. One of the most popular tools for enhancing motivation and productivity are performance-related pay systems (hereinafter: PRP). PRP systems use monetary tools like bonuses and rewards to

motivate employees. Although it is a wide-spread tool, according to OECD (1993 and 1997) PRP systems did not meet the expectations in terms of employee motivation, and performance and pay relation.

The motivation of employees in the public sector differs from the private sector motivation. The approach of Public Service Motivation (hereinafter: PSM) describes features through which the employees can be especially motivated, and that are concentrated mainly in the public sector. Some of them are (Schweizerischer Nationalfonds, n.d.): the possibility to participate in political processes and have a certain impact, the opportunity to commit for the public interest or to promote it, the opportunity to commit and help the society and particular persons. According to Jurkiewicz, Massey and Brown (1998) as motivation factors of public sector employees are considered job security and stability, while for private sector employees a high salary is the number one motivation factor. Because there are differences regarding sectors, a large number of motivation theories were developed.

Bosnia and Herzegovina is facing a significant number of problems related to HRM. A great part of the national budget is spent on the human resources employed in the public sector, but not on the management of human resources, so the whole public sector is viewed as not motivated, not productive and inefficient. Motivation is not seen as an important part for achieving the public sector performance. The public sector of B&H has also the problem of aging employees who are hard to motivate. Buelens and Van den Broeck (2007) proved that not only the sector, but the age, gender, and education are important when choosing the appropriated motivation tools. Still, the topic of motivation of public sector employees in B&H is unexplored yet. This is an indicator that HRM and especially motivation of employees is still not seen as an important factor of the organizations success. In order to get more productive employees who will contribute to the economic growth of the country, public sector organizations have to engage in motivating employees by introducing different and appropriated motivation tools, having in mind that every employee has to be seen as an individual.

The main purpose of this master's thesis is to analyze the importance of motivation of employees for the success of an organization. This will be done through researching the municipality Novi Grad Sarajevo. There are a few objectives of this thesis:

➢ to explore which motivation tools are used in the municipality Novi Grad Sarajevo,

➢ to analyze the perception of the municipality employees about motivation factors,

➢ to give recommendations for public sector managers regarding the most influential motivation factors, and related to them, appropriate motivation tools, with an emphasize on the municipality Novi Grad.

Having in mind the objectives, the main research question of the thesis are:

➢ Which factors have an impact on the motivation of public sector employees, particularly the employees of the municipality Novi Grad Sarajevo?

➢ How to improve motivation in the public sector and enhance managers to pay more attention to motivation factors and select appropriated motivation tools for public sector employees, including the employees of the municipality Novi Grad?

➢ Which motivation tools should be used to improve the motivation of public sector employees in the municipality Novi Grad Sarajevo?

The aim of this master's thesis is to contribute to the awareness of motivation for the success of an organization, particularly the municipality Novi Grad Sarajevo. Regarding the methodology, literature review will be used in order to provide the theoretical background for the thesis. The literature review consists of textbooks, journal articles, and other relevant published materials.

The research for this thesis was conducted in the municipality Novi Grad Sarajevo with the objective to show which factors have influence on motivation of employees. A questionnaire survey was used and given to 70 employees, of which 33 have responded. Questionnaires have some advantages over other research methods. They are relatively inexpensive and have the ability of describing large population characteristics and eliminating observer subjectivity by presenting all study subjects with standardizes stimulus which helps in turn in obtaining higher reliability (Palmquist, 2011). The questions in the questionnaire are such to give answers about the perception of the municipality's employees about motivation factors. The questions are related to job satisfaction, supervisor relations, work environment, pay and benefits, and recognition program within their organization. By analyzing the results of the questionnaire, recommendations for the further development of motivation in the municipality Novi Grad will be given, as well as a general conclusion about the topic. This work should be a direction for public sector managers, in order to improve motivation and the performance in their organization by using different motivation tools.

1 HUMAN RESOURCE MANAGEMENT AND THE PUBLIC SECTOR

This section tells about Human Resource Management in general. The term of HRM, the aims, and the importance of HRM in the organization will be explained. Also, the public sector will be defined and closer discussed.

1.1 Human resource management

„The terms 'human resource management' and 'human resources' have largely replaced the term 'personnel management' as a description of the processes involved in managing people in organizations" (Armstrong, 2006, p.3).

HRM can be defined as an approach to employees which enables to hire and develop them, with the aim to achieve the objectives of the organization. Although it is not the case, employees should be seen as the most valued assets of an organization, because they directly contribute to the success of it.

Storey (in Armostrong, 2006, pp. 3-4) believes that HRM can be regarded as a 'set of interrelated policies'. He suggests four aspects that constitute HRM:

➢ a particular constellation of beliefs and assumptions;

➢ a strategic thrust informing decisions about people management;

➢ the central involvement of line managers; and

➢ reliance upon a set of 'levers' to shape the employment relationship.

The employees are the organizations' core competency and they largely contribute to the success of the organization. This is why appropriated HR systems have to be developed and implemented, to ensure the effective and efficient use of the human resources and by doing this to impact the overall performance of the organization.

1.1.1 Aims of HRM

The overall purpose of human resource management is to ensure the success of the organization through employees, the people working there. As Ulrich and Lake (in Armstrong, 2006, p.8) remark: "HRM systems can be the source of organizational capabilities that allow firms to learn and capitalize on new opportunities." In particular, HRM deals with achieving a wide set of objectives.

In the first place are employees or the people working in an organization. It is not necessary to strike that HRM relies on people, or human resources. If they are trained and developed well, they can be the key for a long-term success of the organization. Human

resources are the one who can make innovations and ensure competitive advantage. Only by investing in them, and showing that they are worth it, they will be motivated to contribute to achieve the organizational objectives and thus to the overall success of the organization. The aim of HRM is to ensure workforce that has knowledge, skills and is motivated to contribute to the success of the company. Steps have to been taken to assess and satisfy needs of potential employees and to increase and develop their capacities – their contribution on work, employability and potential. To achieve this, continuous learning and development opportunities has to be provided. To be able to reward employees for their achievements and enhance motivation, reward systems have to be introduced. Talent management is also very important in this area, because organizations that involve in talent management usually have more skilled workers. Talent and knowledge management and policies related to them, are also tools for improving motivation and consequently the performance of employees and organizations.

It is important to create a climate in which harmony prevails, so the employees are more motivated to be productive and relationships between management and employees and their trade unions can be maintained. The task of HRM is also to meet diverse needs by satisfying different stakeholders and ensuring equal opportunities for all.

Nevertheless, as a research by Gratton, Hailey, Stiles, and Truss (in Armstrong, 2006, p.10) conducted there is still a gap between theory and reality. Although organizations intend to apply different HRM policies, the realization of them is often very difficult. Problems in the reality arise because there are other business priorities, no or a limited support from line managers, lack of resources, and an infrastructure that do not support these processes. In order to bride this gap, front line managers have to engage in implementing the policies, because they have the most influence on meeting the objectives summarized above.

1.1.2   HRM as an organizational core competency

As an organizational core competency HRM creates value and has impact on the results or success of the organization. In the constantly changing environment, organization face a set of problems, which can be decreased by effective and efficient HRM.

Having in mind the international labor market it is clear that the culture of workers has to be taken into account. HR managers have to adapt the strategies to the different cultures, in order to 'reach' each employee. There is no unified HR strategy that can be applied in different countries.

HR management can help organizations to create a culture and systems that support effectiveness and productivity. Considering the cost of resources used, productivity is a measure of quantity and quality of the work done. If efficiency exists, goods and services can be produced with lower costs, and lower prices can be charged. In this case,

productivity is achieved and the organization has a competitive advantage. The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market. Higher productivity does not always mean more output; it is possible that fewer people, less money or time are used to produce the same amount.

One useful way of measuring the productivity of human resources is to consider unit labor cost. Unit labor cost is estimated by dividing the average cost of employees by the average level of output they achieve. Analyzing this, it is clear that paying high wages does not necessarily mean that the organization cannot be economically competitive. It can be but under the condition of high productivity.

Productivity affects the private and public organizations in different ways. In private, or for-profit, organizations it affects the profitability and competitiveness, while in public or non-profit organization it has an impact on total costs. Of all resources, used for productivity measure, in organizations the most discussed are the human resources.

HRM systems designed to enhance organizational productivity are as follows (Mathis & Jackson, 2009):

➢ organizational restructuring,

➢ redesigning work,

➢ aligning HR activities,

➢ outsourcing analyses.

For a number of years, HR departments and individuals have been viewed in different ways, both positive and negative. HRM is nowadays necessary, because of new regulations related to functioning of an organization.

Below are some facts that underline the importance of existence of the HR function in organizations.

➢ HRM helps to accomplish organizational goals by using human talents in an effectively and efficiently way.

➢ As a core competency of an organization, human resources are capable to create value and differentiate an organization from competitors (by creating competitive advantage).

➢ As part of organizational culture, HRM can affect the global cultures.

➢ HRM can include the influence on social responsibilities.

➢ Ethical behavior is crucial in HR management.

➢ All organizations need HRM. Big companies more often have a specialized HR function; usually because of the costs small firms cannot afford a HR function.

HRM activities can be grouped as follows: strategic HRM, staffing, talent management, payment systems, employment conditions, employee relations. HRM must fulfill the administrative, operational, employee advocate and strategic role. So it is very important that HR professionals have capabilities in legal, administrative and technology areas. Professional certification in the HRM field is taking place more and more.

1.2 The Public Sector

The public sector represents both, state institutions and part of the national economy for which the state has special responsibilities since it is the founder of the enterprise, i.e. the unit of local authority. The public sector is comprised of companies which perform activities of general interest to all citizens: state institutions, electricity companies, oil industry, banking and insurance services, some forms of transportation, utilities, postal and telecommunications services, etc.

Beside administrative bodies and special administrative organizations within the organizational structure of the state, non-governmental bodies can perform administrative activities as regulated by Law on Public Enterprises (2005). In different countries this field is often called public sector. However, our regulations do not always allow this kind of classification. That is why classification of forms and aspects of non-governmental bodies with public authorities is conducted by determining basic elements which are regulated by valid legal and other regulations. According to this, non-governmental bodies can be separated into two categories in our country (Lilić, 2009): a) public institutions and b) public agencies.

The concept of public service was first introduced in France in the 19th century. The most extensive development of the public service took place in France where an institute for this public service was established. Also, it is perceived that the public service is in the domain of administration which is conducted under the rule of public law, i.e. the public service is the technical procedure which enables fulfilling public interest requirements. The public service is separated into two concepts (Klarić and Nikolić, 2010): 1. the formal and 2. the material. The formal part is comprised of the bearer of the service, it is important that the service is conducted by some public entity which characterizes the service as public service. For the material part, the material compound is important. The service must have significance for the community. The social community determines certain activities of the public service character because of the significance that service has for general interest.

The Law on Public Enterprises and performing activities of general interest (2000) stipulates that public enterprises conduct activities of general interest established by the state, i.e. local authorities. The importance of the public sector is reflected in the fact that it

materializes through the realization of public interest set in various fields, which are important for society as a whole. In that sense, from the aspect of organizing and management of the public sector and especially public enterprises, it is of great importance to consider the overview of determinants of public interest, without prejudice to their activities, which is reflected in the fact that these are business entities. Public entities have their own assets which they manage in accordance with laws which determine the legal position, laws which determine the activities conducted with the goal of achieving public interest, a founding act and contract. The public enterprise is responsible for its activities. Bodies of the public enterprise are: steering board, director and supervisory board. The public entity can also appoint a board of directors if stated so in the founding act or the statute of the enterprise.

1.2.1 Public Sector HRM

In the focus of HRM is managing people in an organization with the aim to reach their maximum capacity of productivity. According to Stone (2011) HRM deals with a set of subareas such as hiring, development, training, motivation, reward management, performance measures and conditions of employment. While managing people, the legal framework has to be kept in mind.

If the HRM is effective and efficient it has to provide competitive advantage to the organization. Unlike earlier times, nowadays the business environment is very dynamic and changing fast. To be able to keep in pace with the market, HRM has to 'think out of the box'. In this way, the effective deployment and management, highlighting motivation, of people within organizations is becoming a powerful tool to respond to the complexity of the environment and achieve competitive advantage.

As well as the private sector, public sector organizations have to focus on hiring and developing employees' which will contribute to the success of it. Payment systems, benefit regulations, condition and policies of employment have to be set. The public sector focuses on public interest outcomes, what makes the application of strategic HRM complex.

There is a set of facts that are put forward to the uniqueness of the public sector (Lawton & Rose, 1994):

➢ Public sector organizations are not exposed to the competitive world of the market and hence have no incentives to reduce costs or operate efficiently.
➢ Objectives are usually ill-defined and expressed in vague terms such as serving the public, maintaining law and order, reducing inequality, removing poverty or improving health.
➢ Strategic planning is more difficult because of the different mandates of politicians.
➢ The accountability and transparency of the public sector has to be greater, because of the pressure and requirements of the stakeholders.

➢ The functions of the public sector are limited by statute.
➢ The public sector is funded by taxation and not by charging for its services.

1.2.2 New Public Management

With the increasing requests for administrative systems to conduct quality tasks in a democratic transition it was necessary to go through some transformation in order to find new organizational and functioning forms. This led to the development of a new approach called New Public Management (hereinafter: NPM). HRM became more and more important, because it was clear that human resources have a significant role in functioning of organizations. NPM practices that were usually used in the private sector are becoming more prevalent in the public sector. The public sector management and all its components are now rather flexible than bureaucratic and facing clients' needs more than ever before.

Decentralization was one of the most important changes. More responsibilities were accorded to first level and middle managers. There was a requirement for multi-skilled workforce, because new jobs included more tasks and responsibilities, of different areas. The human resource system relied on performance management, workforce flexibility and productivity. Therefore performance measurement was important, as well as performance-related pay systems.

The fact of the changing dimensions of public sector employment indicate that HRM has had a major impact on understanding the elements of the 'new' public sector. NPM has largely affected the changes. As mentioned before, multiskilling, restructured career paths, decentralization, greater emphasis on equity and the removal of rigid employment categories have been some of the benefits of NPM.

According to Borins (1995), NPM should rely on several key ideas:

➢ the government should provide high quality service in accordance with the needs of citizens,

➢ autonomy of public managers, especially of central governing bodies, should be increased,

➢ organizations and individuals should be evaluated and rewarded on the basis of how successfully they accomplish required objectives,

➢ managers must ensure appropriate human and technological resources necessary to accomplish certain goals,

➢ public sectors managers must appreciate the values of competitiveness and keep an open approach on what belongs to the public and what to the private sector.

Contemporary leadership is based on inspiring constant changes and quality adjustment of changed conditions in the environment, authorizing and motivating employees to study and advance, to constantly enhance themselves and the part of the organizational process on which they are working. That is the process in which employees take personal responsibility for the success in completing tasks and goals of the entire organization (Kavran, 2003).

Although the public and private sector have different orientations, HRM has to be similar, focusing on hiring and retain the most appropriated people, with the help of talent and knowledge management, motivation, and performance and reward systems. In the state administration, there should be "as much market as it is possible, and as much state controls as necessary" (Subotić, 2010).

2 MOTIVATION OF EMPLOYEES

People, their needs, motivation and satisfaction are becoming the center of attentions of managing human resources since it has been realized that human capital represents the main tool of competitive capabilities and advantages in the global marketplace. The needs of an individual and factors considered to be motivational for them are the object of intensive research and analysis which resulted in establishing many motivation theories. The complexity of an individual excludes accepting one motivational theory as universal meaning that one motivational theory postulates a unique way in motivating people of all kinds and in all types of organizations regardless of the environment in which they are. A man is a complex psychological system who demands many instruments in increasing motivation. It is necessary to know the complexity of individuals as well as their surroundings.

The effect of human resource management should be seen as a process in which each and every activity and function has a major role in building a successful and healthy company with the basis in a satisfied and efficient employee. Managers must represent the relationship between employees and organizations and they must perform their function within the management of human resources in order to achieve the integrity of the system, the satisfaction of employees and goals of the organization. One of the basic tasks of managing human resources within an organization is defining policy goals and reward systems and the condition is knowing and understanding human motivation. The reward system and motivation must not only depend on the individual's behavior and position of the manager but it must be part of the business and development policies, established rules and norms.

Motivational system of the organization must secure three types of behavior important for the functioning of the organization and its development:

> it is necessary to attract people to the system and they must stay within it,

> employees must perform given tasks and obligations in a satisfying manner,

> innovative and creative activities must be developed in order to accomplish goals of the development of the organization.

In order for a motivational system to secure the earlier mentioned three types of behavior, it is necessary to combine financial and non-financial motivational factors in order to satisfy different human needs.

2.1 Motivation and its Importance

The term "motivation" has a huge number of definitions from various authors. So, motivation can be considered as a force that drives and energizes human behavior to do the maximum effort to achieve the goals. It is the inner drive that influences a person's behavior toward goal achievement.

Robinson and Judge (2008, p.209) define motivation as "a set of psychological processes that cause the arousal, direction, and persistence of individual's behavior toward attaining a goal". According to this, motivation has three pillars:

> arousal – the intensity of the behavior,

> direction – whether the behavior is in accordance with organization's goals,

> persistence – lastingness of the behavior.

The given definition leads us to observe motivation as an individual phenomenon. As every employee is different and unique, in terms of age, education, believes, etc. it has different goals, needs, and expectations. All this has to be taken into account in the process of motivating employees. Thus, managers have an unenviable and hard task. Factors that motivate the manager himself do not necessarily motivate an employee, and some factors that motivate one employee, maybe do not motivate another employee. So, it is crucial to look on every employee as an individual.

As Bruce and Pepitone (1998) claim that motivation is an inside job. This is called intrinsic motivation and is viewed as the most important motivation type. Further, Frey and Osterloh (2002) distinguish between three types of intrinsic motivation:

> activities for peoples own sake, when activities itself are a source of joy (hobbies within work),

> activities that are boring but their fulfillment is a source of satisfaction (meeting deadlines – achievement),

➢ compliance with standards for peoples own sake (ethical standards, commitment to groups).

Figure 1. illustrates the three types of intrinsic motivation.

Figure 1. Three Types of Intrinsic Motivation

Intrinsic Motivation

Job satisfaction
(the experience per se)

Comliance with standards for their own sake

The achievement of personal goals

e.g.

ethical standards   fairness   team spirit

procedural fairness   material fairness
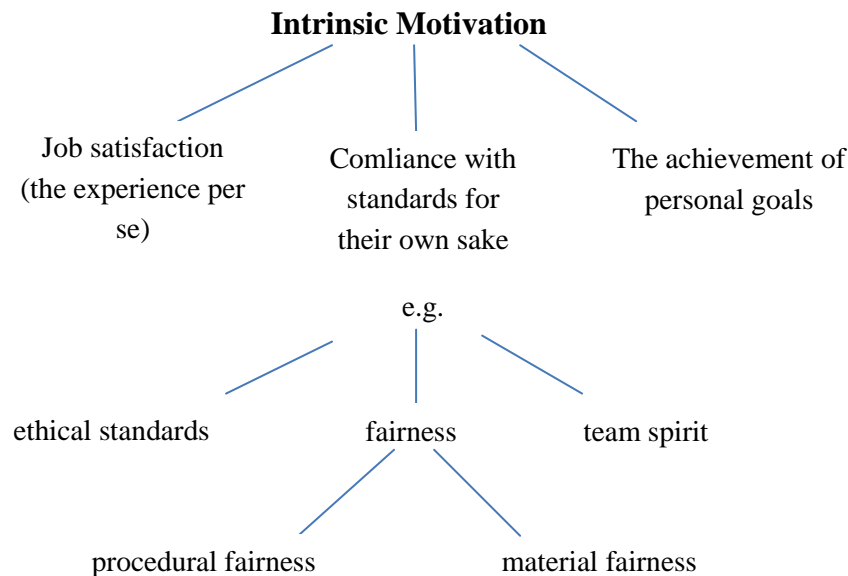
Source: B. Frey & M. Osterloh, *Successful Management by Motivation*, 2002, p. 9.

On the other side is extrinsic motivation. This means that a person's behavior is influenced by external factors. Within extrinsic motivation people distinguish their own goals from work. In other words, the work is just a tool to achieve personal goals. The main purpose of motivation is to encourage action of employees. But, it is important to emphasize that motivation is not the same as performance or productivity. In other words, motivation is the force that encourages employees to work harder and become more productive. So, it can be said that the importance of motivation is reflected in the performance and productivity of employees. That great interest in the problem of motivation has fundamentally three reasons (Bahtijarević-Šiber, 1999):

➢ enhancing productivity, efficiency and creativity of work,
➢ enhancing the quality of work-life in organizations,
➢ enhancing competitive capabilities and success of the organization.

Motivation has its direct and indirect effects and in that way significantly influences on the efficiency of performing work tasks, enhancing work capability of employees and productivity and efficiency.

Managers stream to a motivated team of employees and employers would like to employ a motivated person. Moreover, the requirements of the employer are greater, for example

they want to hire a person who is already highly motivated. In the course of time, the idea of management and notion of an employee has changed, from the notion of an employee as a resource which should be exploited to the maximum to a potential which should be guided and directed. Nowadays, the notion of motivation and manipulation are often confused or wrongly interpreted. Manipulation versus leadership and human resources management through motivation differs in a situation where motivated employees and managers "unite" and act in the same direction to achieve a common goal. According to Denny (2000), the difference between manipulation and motivation is that manipulation would be directing someone to do something because we want them to do that, while motivation refers to directing someone to do something because they want to do that.

Beside manipulation, an important notion regarding employees and their motivation is the successfulness of employees in their fields and dealing with everyday tasks as well as monitoring, evaluating and adequately rewarding their successes. With the goal of raising general organizational capabilities and meeting company goals, managers must adequately and continuously follow up on the work successes of their employees. Monitoring and encouragement of individual successes is an important premise in monitoring and strengthening the total organizational success of the business system. As Bahtijarević-Šiber (1999) state monitoring and evaluating work successes is the premise for completing a whole series of tasks for managing human resources. It is a continuous process of evaluation and directing of behavior and results of work in a work situation. It sets the premises for developing the system, indicators and methods for monitoring work success of every individual. By monitoring the success of the employee, one can disover their degree of efficiency in perfroming tasks, the degree of motivation, while evaluating the success has the purpose of adequatly rewarding or correcting them, i.e. detecting and removing factors which influence failure of the employees task perfromance. The basic division of rewarding strategy is on material and non-material work compensation.

2.1.1 Material and Non-material Compensation as Motivation Tools

Adequate material compensation makes the foundation on which a wider structure of motivational stimuli should be built upon in order to enhance the total motivational potential and attractiveness of work situations. Material compensations are necessary but not the only condition for developing a wide motivational foundation of diverse behavior within the organization. Non-material compensation is becoming ever more important in developed economic systems while in ours it seems that salary is on top of motivational factors. The reason for that is different economic conditions, culture, heritage, etc.

There are certain rules which must be followed by managers when creating concepts of motivation systems:

➢ an emphasis must be put on team work, rewarding and total organizational success,

- distributing bonuses must be simple,
- salaries of managers must be high, but also the first to be reduced if there are unfavorable business results.

It is especially important to take into consideration the fact that employees must trust the entire compensation system and its fairness. Good interpersonal relationships must be rewarded with attractive employee benefits and increase in salary since motivation is closely tied to earnings. In order to attract new workers, the employer must check if his payroll list is higher than the one offered by his competition. The policy of benefits and salary must promote good interpersonal relationships.

A healthy policy entails paying employees according to merit, narrowly connecting his salary with the results of the work they have done. For every part added to the salary with the goal of encouraging employees' successes and certain forms of individual behavior, there must be a clear foundation and criteria in order to motivate certain behavior. In order for the system of stimulation to have certain effects, it has to be: simple, detailed, feasible, measurable and fair. Besides the salary employees get as compensation for their work, other benefits are also significant because they enhance usefulness which employees get from total benefits (car, insurance, assistance in resolving residential issues etc.). Organizations should know how to recognize what they want to achieve with certain benefits and understand motivation characteristics of how every benefit affects the worker. Reward systems can be individual (based on complexity of the job and working conditions, success, bonuses, provisions and progress) and on enterprise levels (the employee's share in the success of the organization, employees ownership of company shares, team and group bonuses).

The premise of efficiently evaluating work effects demands a quality analysis of the job description and communication between employees and management. Employees often connect development with promotion. Low organization hierarchies, which are ever present in organizations because of the tendency to decentralize, cannot ensure promotion and advancement of employees. Hence, reward strategies and payroll structure must be based upon encouraging individuals to seek promotion in their professional and personal development instead of promotion in the hierarchy towards higher salaries.

The motivational system of employees with material compensation must encompass also compensation which is non-material in character since the goal is to satify different human needs. The more needs the system satifies, the more it is efficient in achieving organizational goals. Since needs are not only material but also social and psychological in nature (the need to grow and develop, to receive acknowledgment for their abilities, status, cooperation, social contacts, security, etc.) it is necessary to supplement the system of material stimulation with mechanisms which point to the significance of each and every individual for the organization and their individual contribution.

Knowledge and creativity, instead of effectiveness and productivity in a classical sense, become the foundation for efficiency and successfulness of a modern organization. Hence, it is logical to find new ways for motivating employees. The motivational basis is enlarged with group systems of rewarding which, besides material compensation, include more other factors of motivation such as participation in setting goals and making decision, autonomy and accountability, job design, collaboration, flexible working hours, etc.

It is important to emphasize that motivation techniques have two crucial elements:

➢ material motivation, and

➢ non-material motivation.

Also, besides dividing motivational compensation between financial and non-financial, direct and indirect, motives for work can be divided into external, for example system of payment, working conditions, managing and internal like education and advancement.

2.1.1.1 Material Compensation

Material, i.e. financial compensation is composed of different forms of motivation directed to ensuring and advancing the material status of employees and a financial compensation for accomplished work.

Considering the degree of directness of material, i.e. financial earnings, there are two basic types of financial compensation:

➢ direct financial benefits which the individual receives in the form of „money“,

➢ indirect material benefits which contribute to raising the material standards of employees and which are not in form of payments or salaries.

The first group encompasses direct rewards for work while indirect material compensation are aquired by the mere employemtn at a company and are not dependent on work efficiency or successfulness.

Money is obviously the oldest and „most apparent” and at the same time the most universal way of motivation for work. It is necessery to follow these assumpution of the effects of the material factor and payment system for efficiency of individual work and work effect:

➢ material rewards must be connected with those indicatins of work accoplishments to which the individual has influence and working standards must be achieved,

➢ there must be a clear connection between work results and rewards,

➢ the system of rewarding must be based on more positive than negative effects of work behavior,

- increaisng material benefits must be large enough to justify additional efforts which are invested,
- increasing the salary must be direct and it must be the result of work efficiency and enhancing work success,
- material benefits must be equal to invested efforts and fair in comparisaon to others,
- differences in payments between good and bad workers must be significnat in order to stimulate good work.

All compesations occur in three forms:

- salaries,
- rewards,
- benefits.

Salary, as a sum of money an employer is obligated to pay to their employee as a compensation for work performed for them during a certain period, consists of five basic components: basic salary, simulative segment of salary, salary bonus, additional payments, and profit share. The most important elements of compensation are those an employee has the right to get for their effective work, and they consist of basic salary, simulative segment of salary and bonuses. The purpose of the simulative segment of salary is to incentivize workers and to ensure continuous realization of optimal work load parameters from the aspects of both business results and of employees. However, one should bear in mind that its goal cannot be the exclusive and constant increase in results achieved through investment in workforce because that would lead to an exhausted workforce and, with that, to a decrease in quality of product and to an disproportionately increase in expenses.

This segment of salary is always determined in relation to degrees of completion of a work task, so there are:

1. stimulative segment of salary on the basis of effectiveness - which is paid according to a production and time norm,
2. stimulative segment of salary on the basis of bonuses - the employees are stimulated to rationally spend available material and human resources.

Employees are paid salary bonus for working under certain conditions that can possibly be harmful. These conditions include:

- bonuses for work in shifts,
- bonuses for work during the night,

- ➢ bonuses for overtime work,
- ➢ bonuses for work under occasionally harder work conditions,
- ➢ bonuses for work over holidays,
- ➢ bonuses for work over weekly rest days.

Compensations from the share in profit are primarily used to increase the employees' interest for the successfulness of business, to reduce the fluctuation of employees, and to improve the social relations within the business, or in other words, to secure better and more successful business.

2.1.1.2 Non-material Compensations

Numerous intangible compensation strategies, such as work planning, management style, participation, goal management, flexible work hours, prizing and feedback, organizational culture, career specialization and development and others, have been developed. Along with tangible strategies they form a full motivational system. There have been numerous theories on motivation over time which are based on different assumptions and which stress different dimensions of human behavior. Abraham Maslow is considered the father of theory of motivation and his well-known theory of hierarchy of needs served as a basis for many subsequent theoreticians to build on and contribute to the development of approaches to motivation, such as Alderfer's theory of motivation, Atkinson's theory, Miner's role motivation theory, Vroom's cognitive model, Porter-Lawler's model, B. F. Skinner's empowerment theory, Richard Hackman's and Greg Oldham's theory of motivation and others.

2.1.2 Job satisfaction

The most important of all attitutes of employees is their attitude towards work. That attitude is called job satisfaction and can be define it as "cognitive, affective and evaluation reactions of individuals to their job" (Scholl, 2003). Hence, job satisfaction is a complex attitude which includes certain assumptions and beliefs about that job (the cognitive component), affections towards the job (affective component) and evaluation of the job (evaluation component). Job satisfaction presents one of the most researched topics in the field of human behavior in organizations.

The reason for that is most certainly the well-established belief that a satisfied employee is a productive employee and that the success of an organization cannot be achieved with dissatisfied employees. The theoretical basis of job satisfaction is presented in Locke's Theory of value. According to that theory, job satisfaction exists to that extent to which people are satisfied with the outcome of their work. The more the individual gets from the outcome which he values, the more they will be satisfied. Therefore, job satisfaction is not

only dependent on the amount of the award but also on the type of the reward, i.e. if the worker values the type of reward which they get for the work which they have done. According to that theory, workers, i.e. employees, who receive a low salary do not have to be dissatisfied with their job if the salary is not the most important factor in determining their job satisfaction rate. For example, if the workers are creative, young, developing engineers it is possible that they will be satisfied with a low salary if they have the opportunity to be creative, to perfect themselves, to learn and advance in that field since that is what they value about their work. So, in order to predict someone's job satisfaction not only the satisfaction with individual aspects of the work of the individual has to be considered, but also their expectations from that work.

Disharmony or dissatisfaction with expectations from work can affect the individual job satisfaction in some aspects. Some persons will not be satisfied with their job even though they have a high salary and they are satisfied with their salary but they do not have the possibility to advance in their career. Locke's theory also includes another important phenomenon. People have the tendency to relate job satisfaction with individual aspects of the work and the amount of disharmony between expectations and satisfaction. Namely, those aspects where the disharmony between expectations and satisfaction is great, the absolute height of satisfaction has the tendency to decrease. Research shows that employees were least satisfied with those aspects of work in which the disharmony between expectation and satisfaction was the greatest and vice versa. What is it that influences employees to be satisfied with their work? Research shows that all factors can be grouped into two categories: the organization and personal job satisfaction.

It has to be emphasized that motivation is not equal job satisfaction. It may sounds that satisfied employees are automatically motivated. But this is not always true. The public sector is the proof that satisfied employees are not always motivated. Most of the public sector employees are very satisfied with their job, because of the job stability, social insurance, high wages, bonuses, etc. but they are not motivated to work harder. The presence of these work conditions and the absence of serious performance-related pay systems, as well as appropriate monitoring and punishments or sanctions contribute to a high degree to not motivated employees.

2.1.2.1 Organizational Factors of Job Satisfaction

Organizational factor of job satisfaction according to Petković, Janićijević and Milikić (2005) are defined as follows in the text.

The job itself. People are more satisfied if they do a job which is more challenging for them than if it is simple and routine. A challenging job has three characteristics: it enables the employee to perform various kinds of tasks, it gives the freedom of activity to the employee and it enables feedback to the employee about their job performance.

System of rewarding. The higher the salary the greater the satisfaction rate is in employees. However, it must be noted that the perceived fairness of the system of rewarding is a more important factor than the mere height of the salary. This was concluded in all research conducted in domestic enterprises. Workers are more satisfied if they perceive that the system of rewarding is fair and treats everyone equally. The workers have higher expectations of the system of rewarding to be fair than of the height of the salary.

Comfortable working conditions. It is logical that the better the working conditions are, the more the workers will be satisfied. This is not only the case because they feel more comfortable physically but because better working conditions enable them to their own jobs better. People are often dissatisfied with poor working conditions not because they are uncomfortable for them but because they prevent them from achieving better results.

Colleagues. The social atmosphere is an important factor when it comes to job satisfaction. Employees are more satisfied with their job if they work with colleagues with whom they have excellent personal relations and if the social environment at the work place is comfortable. This is especially important for people who are not that interested in climbing up the career ladder. Within this factor is the relationship between the employee and their superior (boss). If the employee has a close relationship with the employee and if the boss praises the employee more often, follows up on their work and builds an open relationship with them, than the satisfaction of the employee is greater. It also must be noted that the national culture can have a significant impact on job satisfaction. It is logical to assume that in collectivist cultures, the significance of a comfortable social atmosphere and non-existence of conflict is a very important factor in job satisfaction in most employees, even more important than the height of the salary.

In every domestic enterprise, the most important aspects of work, the ones which have the highest expectation rate in employees, are indeed those which are connected to the social environment: good relation with colleagues, good relations with superiors, non-existence of conflict, socializing with colleagues after work etc. The conclusion is that the job satisfaction of our workers is more influenced by the social environment than the height of the salary which explains, among other things, why there are few strikes and dissatisfaction of workers in comparison to their living standard.

Organizational structure. Research in the United States (AJIBM, 2013) shows that employees are more satisfied if the organization is more decentralized and if they have more possibilties of participation in decision-making. This argument seems logical but one must take into consideration the possibilty of its cultural restrictions. Namely, decentralization can be a source of satisfaction of employees only if they assume and expect that the power in the organization should be equally distributed. However, that is only the case in national cultures which have a low so called power distance. In cultures with a high power distance, employees neither expect nor prefer their own involvement in

decision-making and decentralization will probably have no effect in their satisfaction rate. Research conducted in domestic organization shows that one other characteristic of organizational structure is the source of satisfaction of employees – transparency and stability. Employees in our enterprises are more satisfied if the organizational structure is clear, known and stable. This can be connected to another characteristic of our national culture – avoiding incertitude. Our worker do not like changes, incertitude, ambiguity and it is logical that they expect from the structure to spare them of that. If the organization manages to do so, this will be a great source of satisfaction for employees, if not than they will be highly dissatisfied.

2.1.2.2 Personal Job Satisfaction Factors

Personal factors of job satisfaction according to Petković, Janićijević and Milikić (2005) are:

Accordance of personal interests and the job. Workers will be more satisfied if their personal profile, skills and knowledge better suit their job requirements. In that case, the worker feels that his job enables him to express his knowledge and skills, his personality and competences and this will make him more satisfied. The influence of this factor is indirect. Harmony between competences and job requirements will lead to better work results which will lead to greater rewards and finally a higher satisfaction rate in employees.

Years of service and age. Older people and people with more years of service have a tendency to be more satisfied with work than those with less years of service. That is not just happening because the longer you work the better you get at your job but also because of the earlier described cognitive dissonance. Even the ones who were not satisfied with their job at the beginning, if they stuck with it longer, they rationalize their inertness by convincing themselves they are satisfied with their job. Research shows that job satisfaction increased with years of service and old age but not in a linear fashion. First, job satisfaction increases greatly in the early thirties since worker become more successful and advance in their careers. In their forties, workers reach the zenith in their job, they lose illusions they previously had and are less satisfied and in the second half of the fifties and until retirement, their job satisfaction increases again.

Position and status. The higher the hierarchical rank of the employee the more satisfied they are with the work they are doing. Among other things, the cause of this is that the higher the status – the higher the income as well as status symbols, authority and social influence which leads to higher job satisfaction.

Total satisfaction with life. Research proved the effect of "satisfaction spillover". Satisfaction with life in general positively reflects on the satisfaction of work with which one does and vice versa.

2.1.2.3 Effects of Job Satisfaction

Being satisfied with the job one does is not a goal in itself. Nevertheless, more theories emerge according to which the social responsibility of an enterprise is to provide satisfaction to their employees in the same way they provide satisfaction to their stakeholders. More and more authors are dealing with this problem since it assumes that a more satisfied worker is a more productive worker. However, empirical research shows that the relationship between productivity and satisfaction of employees is not that clear as it may seem at first glance. Besides, satisfaction does not only influence productivity but also some other occurrences in the organization such as work-leave or fluctuation.

Figure 2. Model of Job Satisfaction (Courtesy of J.Field)

Model of Job Satisfaction

EMPLOYEES
DISSATISFACTIO

FULFILLMENT

DEDICATION

INVOLVEMENT

EMPLOYEES
SATISFACTION

Factors which contribute to dissatisfaction:

Low salary
Low insurance
Poor working conditions
Impossibility of progress
Low benefits
Insecurity in keeping the job

When these factors are optimal, job dissatisafaction will be eliminated. Still, these factors are not increased with job satisfaction.

Factors which contribute to satisfaction:

Good leadership
Good relationship with managers
Recognitions
Advancements
Personal progress
Feedback and support
Clear instructions and goals

When these factors are optimal, job dissatisafaction will increase.

Source: J. Field, *Job Satisfaction Model*, 2008.

21

Employees' satisfaction has three basic effects (Petković, Janićijević, & Milikić, 2005):

Satisfaction and productivity. Even though it is logical to assume that the correlation between satisfaction and productivity is positive, that relationship is not as strong as it was once thought to be (Petković, et al., 2005). There are several reasons why this relationship is not more direct and stronger. The first one is that it is possible that other factors influence productivity and not just the satisfaction of the worker. There are technologies where the worker cannot influence productivity since the technological process is determining the speed of work. In that case, satisfaction or dissatisfaction of the worker can have little influence on productivity. A possible explanation for a weak correlation between satisfaction and productivity of workers is the cause and effect relationship between these two phenomena. There are beliefs that the increase in productivity is the cause and not the effect of the satisfaction of workers. An increase in productivity causes enhancement of performances and this enhancement is the reward which leads to an increase in their pleasure. Finally, lately it is shown that productivity is only one aspect of enhancing performances under the influence of workers. A satisfied worker will not only be productive but will also create a better working atmosphere and they will have a positive influence on the work of other colleagues.

Absence from work. Satisfied workers will be less absent from work. This hypothesis is also confirmed by empirical research, nevertheless, the (negative) correlation coefficient is not as strong as it was expected (Petković, et al., 2005). The probable cause of a weaker connection between dissatisfied employees and their absence from work is that that decision is influenced by other factors. Sometimes, a highly satisfied worker will be absent from work. On the other hand, there are more factors which compel dissatisfied workers to come to work – fear of losing their job, obligations to colleagues at work or to their client etc.

Fluctuation. It is ascertained that satisfied workers will be less absent from work than dissatisfied workers which seems like common sense. The rate of fluctuation in enterprises with a high dissatisfaction of employees is greater than in those with a lower rate of dissatisfied workers. Still, there are many variables which can influence that relationship. A dissatisfied worker may keep his job since they have no other possibilities. This means that the correlation between satisfaction and fluctuation of employees is influenced by general economic conditions as well as the unemployment rate in an economy. It is ascertained that the tendency to quit a job is also influenced by general satisfaction or dissatisfaction of the employee with their life. That influence is opposite to the ones which could be assumed at first glance. Workers who are generally satisfied with their lives quit their jobs with more ease (they are not satisfied with their job) than the ones who are not satisfied with both their personal lives and their job.

2.2 Public versus Private Sector Employee Motivation

In the focus of HRM is managing people in an organization with the aim to reach their maximum capacity of productivity. According to Stone (2011) HRM deals with a set of subareas such as hiring, development, training, motivation, reward management, performance measures and conditions of employment. While managing people, the legal framework has to be kept in mind.

If the HRM is effective and efficient it has to provide competitive advantage to the organization. Unlike earlier times, nowadays the business environment is very dynamic and changing fast. To be able to keep in pace with the market, HRM has to 'think out of the box'. In this way, the effective deployment and management of people within organizations is becoming a powerful tool to respond to the complexity of the environment and achieve competitive advantage.

As well as the private sector, public sector organizations have to focus on hiring and developing employees' which will contribute to the effectiveness. Payment systems benefit regulations, condition and policies of employment have to be set. The public sector focuses on public interest outcomes, what makes the application of strategic HRM complex.

To be able to make conclusions about motivation theories and maybe apply them on the public sector organization, possible differences between behavior regarding motivation in the public and private sector have to established. According to Lewin (in Miner, 2005, pp.38-39) behavior is a function of the interaction between person and environment (B= f(P, E). Further, many authors look on motivation within the context of individual characteristics, job characteristics and work context.

Individual characteristics. Every individual differs from another, so every organization has different employees, and one company's employees differ from another one, as a result of different recruiting, selection, and hiring processes. Public sector employees are motivated by factors that cannot be found in the private sector, like the possibility to participate in political processes and have a certain impact, the opportunity to commit for the public interest or to promote it, the opportunity to commit and help the society and particular persons (Schweizerischer Nationalfonds, n.d.), while private sector employees are rather motivated with personal interests like pay-for-performance. The stated above is at the focus of Public Service Motivation (hereinafter: PSM). The PSM theory will be elaborated later in the work. The question arises what motivates public and private sector employees more, extrinsic or intrinsic motivators. The literature still does not have a clear answer regarding this. Different authors got different results. On the other side, there is an agreement of authors (Frank & Luis, 2004) that interesting jobs motivate employees regardless of the sector they are working in. Also, it is accepted that public sector employees are motivated by intrinsic nonmonetary motivators (Perry & Wise, 1990).

Job characteristics. In the literature (Wright, 2001; Buelens & Van den Broeck, 2007) there are beliefs that the type of performed tasks affects the motivation more than the nature of the job, or better said, the motivation of employees is not affected by the sector. Some job characteristics like routineness and job specificity have been found to affect the motivation of employees to a high degree (Wright & Davis, 2003). According to Buelens and Van den Broeck (2007) jobs with no clearly defined tasks, as well as job with a high degree of routine have a negative effect on motivation. The public sector deals with jobs like administration, that is rather a routine job, while the private sector deals with more "interesting" and more demanding jobs like marketing, sales, etc. that require more creativity, this leads to sector differences. Also, the organizational goals affect the motivation in both sectors, but not similar. While the public sector most times set clear and specific goals, that do not require a high degree of insight, the private sector often sets goals that are hard to achieve at the same time and in some way contradictory (Perry & Porter, 1982). Because of these differences job characteristics have to be taken into account in the process of motivating employees.

Work context. The work context involves matters that are both in the immediate and extended work environment of the employee (Perry & Porter, 1982, p.91). The immediate work environment refers to the employee's direct colleagues, superiors and the need to work in a friendly and positive atmosphere, while the extended work environment refers to job security, stability and payment systems. Buelens and Van den Broeck (2007) claim that public sector employees prefer management styles oriented to people, and they consider their colleagues and superiors more important than it is the case with private sector employees.

With the introduction of New Public Management(hereinafter: NPM) in the public sector the previous administration was replaced by management. As the aim of every seriously change is to increase or decrease a component, it is the same with NPM introduction. Management has to increase effectiveness and efficiency, and at the same time better quality of service, and on the other side, decrease public expenditures. The expenditures were held under control by cutting staff and performance measurement. Elements of NPM, as a tool that lead to the transformation of the public sector included reducing taxes, separation of decision making levels, customer orientation, performance measurement, corporate planning, decentralization and risk management.

HRM became more and more important, because it was clear that human resources have a significant role in functioning of organizations. Trough NPM management practices that were usually used in the private sector are becoming more prevalent in the public sector. The public sector management and all its components are now rather flexible than bureaucratic and facing clients' needs more than ever before.

Decentralization was one of the most important changes. More responsibilities were accorded to first level and middle managers. There was a requirement for multi-skilled workforce, because new jobs included more tasks and responsibilities, of different areas. The human resource system relied on performance management, workforce flexibility and productivity. Therefore performance measurement was important, as well as performance-related pay systems.

The fact of the changing dimensions of public sector employment indicate that HRM has had a major impact on understanding the elements of the 'new' public sector. NPM has largely affected the changes. As mentioned before, multiskilling, restructured career paths, decentralization, greater emphasis on equity and the removal of rigid employment categories have been some of the benefits of NPM.

Although the public and private sector have a different orientation, HRM has to be similar, focusing on hiring and retain the most appropriated people, with the help of talent and knowledge management, and performance and reward systems.

As Buelens and Van den Broeck (2007, p.68) proved, age, gender, and education are factors that are at least important as sector of employment when discussing motivational differences. Also, the hierarchical level is seen as the most important factor in explaining differences of motivation in sectors.

In the end, it is crucial to understand that motivation is still an individual phenomenon and it has to be accepted so. No matter if public or private sector employee, every employee is an individual with its specific need, expectations, and goals. So, when using motivation factors managers have to consider this, in order to reach every employee in the best possible way.

3 MOTIVATION THEORIES AND FACTORS

For a better understanding of modern approaches to motivation, in this chapter a few theories will be analyzed. I chose the most common discussed theories, that are classified in two groups, need theories and cognitive theories. The chapter presents the following theories:

- ➤ Maslow's theory of motivation,
- ➤ Alderfer's ERG theory,
- ➤ Herzberg's two factor theory of motivation,
- ➤ McGregor's Theory X and Theory Y,
- ➤ McClelland's theory of motivation,
- ➤ Vroom's VIE Theory

- ➢ Adam's Equity Theory
- ➢ Public Service Motivation (PSM) Theory, and
- ➢ Goal Setting Theory

3.1 Need Theories

Need theories are concerned with analyzing human needs and motives that affects the motivation of particular persons. As every person is an individual with specific needs, a lot of need theories where developed with the aim to explain different types of need hierarchy. Need theories are seen as the best one to explain employee motivation (Robbins & Judge, 2008).

3.1.1 Maslow's Theory of Motivation

Abraham Maslow's Theory of Motivation explains the hierarchy of human needs that are classified in five levels. The theory says that a higher need level will become dominant only if the lower one is satisfied. The following figure shows the hierarchy of needs.

Figure 3. Maslow's Hierarchy of Needs
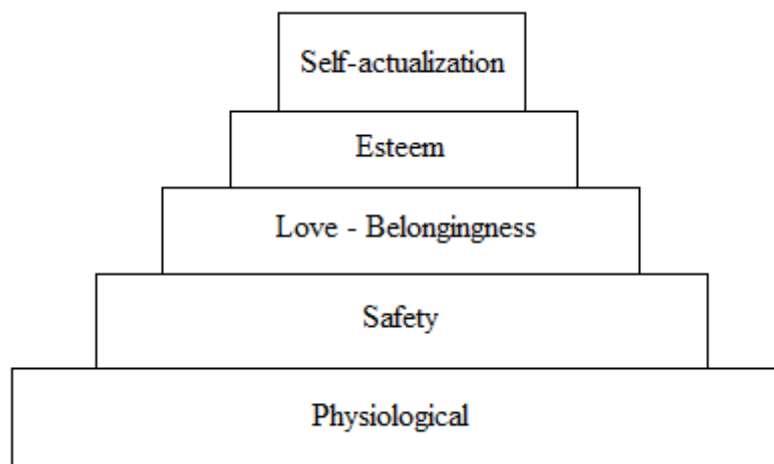
Source: A. Maslow, *Maslow's Hierarchy of Needs*, 1943.

Physiological needs are the basic requirements for human survival. The requirements for air, food and water are crucial for survival. In business terms the need for a base salary and heat on the work place can be seen as the first-level needs.

Safety refers to the desire for a safe physical and emotional environment, or within the work job security and health insurance.

Love or belongingness is related to the need to be loved and to love other people, to have a family, to belong to groups, to have friends. In business terms this mean to belong to teams, trade unions, to have good relations with coworkers, superiors, and clients.

Esteem includes things like respect from others, a good reputation, recognition by others, and in the work context for example responsibilities to be assigned, etc.

The highest need level is self-actualization and according to Maslow (1943) it can be achieved only if the previous levels are mastered, not only achieved. As he mention it is the desire to become everything that one can become. For example, someone wants to be the best employee of the organization. Here it is about things like religion, creativity, education, and personal growth.

Maslow's theory was never really affirmed. This is because of contradictories and uncertainties. The assumption of the theory is that a person cannot and will not strive to higher need levels unless the lower need levels are achieved. But, that means if someone is hungry, he cannot go and learn. Is this a fact? No, it is not. He might not be able to concentrate as he should be while learning, but he will learn. Also, religion is at the top of need hierarchy. That means that to be religious, a person has to have achieved the lower need levels, but this is also not true. The fact is that a big number of poor people, which have not fulfilled even the physiological needs are very religious, praying to God to help them. These are only some of examples of the contradictories of the theory.

3.1.2 Alderfer's ERG Theory

Having in mind the imperfections of Maslow's need theory, Alderfer (1969) narrowed the classification of needs into three groups:

➢ existence (similar to Maslow's physiological and safety needs),

➢ relatedness (similar to Maslow's love-belongingness need),

➢ growth (similar to Maslow's esteem and self-actualization need).

The difference between Maslow and Alderfer is that Alderfer believed that a person can focus on all three need levels, independently of each other and without a specific order. Also, Alderfer claims that by satisfying high ranked needs, they become more intense, you become "addicted" to them. For example, if you get authority in your job, you want more and more.

Nevertheless, some authors (Van Wart, 2008; Mitchell, 1982; Behn, 1995) used Maslow's and Adelfer's theory to give some recommendations for motivating employees.

3.1.3 McGregor's Theory X and Theory Y

McGregor (1960) presents two opposing theories for motivating employees, Theory X and Theory Y. Theory X is based on the assumption that employees are in nature lazy and will avoid work whenever it is possible, because they do not like work. Thus, Theory X

managers will have to impel employees to work. They assume that employees only purpose of work is the salary. Also, monitoring systems need to exist to control employees.

The opposing theory is Theory Y. Theory Y managers assume that work is natural for employees and that they are satisfied if they do their job well. Such employees want to have responsibilities, it is something like self-satisfaction for them. Money is not the key motivator. For managers it is not hard to motivate employees, because the work itself already is a motivator for them. Under the right conditions employees will seek to fulfill organizational goals in the best way. Managers have to involve employees in organizational processes.

3.1.4 Herzberg's Two-Factor Theory

Herzberg developed the Two-factor theory in 1968. According to his theory, there are two basic sets of needs:

- hygiene factors,

- motivator factors.

Hygiene factors are rather seen as factors that prevent dissatisfaction and are not motivators. Herzberg's hygiene factors are similar to Maslow's psychological and safety needs and relate to job security, a good working environment, good relations with other employees, etc. Only by fulfilling those employees will not be motivated.

Motivator factors propose motivation and job satisfaction and only fulfilling them has an end result – motivation. Motivator factors are on the higher levels of Maslow's hierarchy and cover recognition, growth, reputation, achievement, etc.

Thus, it can be said that hygiene factors determine dissatisfaction, while motivator factors determine satisfaction, and they are independent of each other.

3.1.5 McClelland's Acquired Needs Theory

McClelland's theory of needs is the most supported within the need theories. He classified the needs into three groups (Robbins & Judge, 2008, p.214):

- achievement (the drive for accomplishments – nAch),

- affiliation (the wish for friendships – nAff),

- power (the desire to influence – nPow).

McClelland put his focus on achievement, because employees that achieve are motivated by responsibilities, praise, good relations with coworkers, etc.

McClelland used the Thematic Apperception Test (TAT) to measure the needs of different persons. It is a kind of imagination test. The person is given a set of ambiguous pictures and the person has to develop a story for each picture. The assumption is that the person will develop a story with his or hers own needs, so the results can be used to motivate particular persons.

3.2 Cognitive Theories

Cognitive theories are often called process theories. As Rainey (2004) mentions, their focus is on the psychological and behavioral process behind motivation.

3.2.1 Vroom's VIE Theory

The Valence, Instrumentality, Expectancy Theory (hereinafter: VIE Theory) was developed by Victor Vroom in 1964. He focuses on the working environment as an important motivation factor, rather than on individual needs, like proposed in need theories. Vroom assumes that achieved goals are the best motivator for employees to make effort. There are three components important for the theory, because they are a part of the behavioral process when choosing one option over another:

➢ expectancy,

➢ instrumentality,

➢ valence.

Expectancy is the expectation or belief of a person that his work will lead to fulfillment of given objectives. Since it relies on the past experiences of a person, it is important and affects the behavior when choosing an option, because the person will choose the option that is "proved" to be the best one for the given task. Three components are related to the expectancy of an individual: self-efficacy, goal difficulty, and perceived control. If self-efficacy is high, expectancy is high. If the goals are too difficult, expectancy will be low. And, if perceived control is high, expectancy will be high.

Instrumentality is the belief that a person will be rewarded in some way if he fulfills the performance expectations. Instrumentality will be low if the rewards are similar for all kinds of performance. Components related to instrumentality of an individual are: trust, control and policies. If trust for superiors is high, instrumentality will be high. If the belief to have control over the reward systems is high, instrumentality will be high. Instrumentality of individual's will be high if there are written policies regulating rewards.

Valence is the value that rewards have on an individual. It is based on the person's objectives, needs, values that can be seen as the source of motivation. Valence is not really a measure of satisfaction, it can be seen as the expected satisfaction of a reward.

By putting emphasize on training, advancement, recognition, and rewarding systems that are flexible, managers can encourage employees to make efforts to perform at their maximum (Greenberg & Baron, 2003).

3.2.2 Adams' Equity Theory

The Equity theory was developed by John Stacey Adams in 1963. He states that, contrary the other theories, conditions of other people like friends and colleagues have influence on the motivation of an individual. Looking at conditions of others in a particular situation, the person compares it with his and creates an opinion about equity.

According to Adams, employees constantly think about their inputs to work, like education and effort, and the outputs they get, like salary, promotion, bonuses. After that, they compare their own "ratio" with the perceived "ratio" of other people (friends, colleagues, etc.). If the person thinks his ratio is equal to the ration of others, he will be still motivated to work. But, if the person thinks that other gets more (output) for their similar work (input), he will take actions to equalize the ration. For example, if an employee works with the same effort and fulfills the same goals like another employee, and just one of the two is being promoted or rewarded, the other one will not be motivated to keep working with the same effort. So, motivation is not dependent of the input-output ration, but by the comparison of a persons' ratio to the ratio of another person.

According to Herzberg (in Miner, 2005), fairness within the job is seen as the one of the key factors for job dissatisfaction and has to be advocated by managers.

Still, there are some difficulties that make the comparison, and thus the opinion about equity. For example, employees in organizations do not have complete informations about rewards of others, different people have different judgment about the term of equity, some employees look at equity in the long-term, rather tnah shor-term context, etc.

3.2.3 Goal Setting Theory

The creators of the Goal-setting theory are Locke and Latham. Beyond motivation theories, the Goal-setting theory is the most researched and most valuated one. According to the authors Locke and Latham (2002), difficult and clear specified goals, but achievable, will be a motivator for employees to perform on a high level rather than vague goals like "do your best". In order to motivate employees even more, it is important to involve employees in the goal-setting process, so the see the organizational goal as their personal goal too.

Even though difficult goals most times motivate employees, they can also cause employees that are not confident in themself. They suspect in their own abilities to achieve the given goals. So, managers have to increase the self-efficacy of employees. Self-efficacy is the belief of an employee that he is able to achieve a particular goal.

Even many scientists (Perry & Porter, 1982; Wright, 2001; Durant, Kramer, Perry, Mesch, & Paalberg, 2006) advocate this theory for motivating public sector employees, a research by Re'em (2011) showed that the theory is not applicable in the public sector because of the dynamics and lack of financial incentives (p.27).

3.3 Public Service Motivation (PSM) Theory

With the development of New Public Management there was a need for a motivation theory that is correspondent with NPM. The answer was the PSM theory. The PSM theory is a motivation theory which deals with public sector employees and their specificities. According to this theory public sector employees are different of private sector employees. The assumption is that public sector employees are motivated by intrinsic motives rather than extrinsic. As Perry, Hondeghem and Wise (2010) mention the motivation for people to work in the public sector is to serve and help the society. It is important to emphasize that PSM is a motivation theory in the public sector, but there are other motives beside the one mentioned in this theory.

So, proponents of the theory emphasize that public sector employees should be motivated by extrinsic motivators also, and thus, they propose performance-related pay to be introduced.

In the end, for PSM training, feedback, participation of employees in goal-setting processes, good relations on the job, recognition and rewards, are of utmost importance (Paalberg, Perry & Hondeghem, 2008; Anderfuren-Biget, Varone, Giauque, & Ritz, 2010).

4 RESEARCH IN THE NOVI GRAD SARAJEVO MUNICIPALITY

Thee research begins with articulation of the research methodology and formulation of research questions. The following paragraphs present the research methodology, research questions and research process describing the questionnaire, data details, research analysis and results of the research.

4.1 Methodology

The primary goal of this research work is to find out in which condition is the HRM in the municipality Novi Grad Sarajevo and whether or not the employees are satisfied and motivated and what motivates them taking into account their position in the organization, salary and working conditions. That includes understanding the challenges of motivation in the public sector, analyzing the opinions and views of employees in the public sector and on the basis of this to make a conclusion, and suggest what could be done to improve the motivation of the employees and contribute to the overall success of the municipality.

Keeping in view the goals of the study, primary data is collected through qualitative research and a questionnaire that consists of closed-ended and open-ended questions. The questionnaire was given to 70 employees, and 33 of them have responded.

4.2 Data Details

The questionnaire consists of nineteen questions that refer to work conditions like job satisfaction, employee relations, salary, vacation, and working environment. A sample of the questionnaire is given in Appendix A. It has to be emphasized that the questionnaire of British Virgin Islands that was used in the survey on employee motivation in the public sector was a guideline when designing the questionnaire used in my research.

The purpose of the research was to examine a group of public sector employees from the municipality Novi Grad Sarajevo, and to make a conclusion about the motivation in this organization.

The research was conducted on May 14th 2014. Respondents are anonymous and all questionnaires were placed in a transparent box to guarantee additional anonymity. Age of the respondents is in the range 20 – 65 years.

Key departments in the municipality which were sampled are:

➢ Department for Joint Affairs and Cabinet Affairs of the Municipal Mayor,
➢ Department for Urban Planning, Real Property, Geodetic and Cadastral Affairs,
➢ Department for Investments, Communal Infrastructure and Housing Affairs,
➢ Department for Education, Culture, Sports and Integrated Local Development,
➢ Department for Veterans' Affairs, Labor, Social Affairs and Health,
➢ Department for Local Government,
➢ Department for Economy and Finance,
➢ Department for General Administration,
➢ Department for Civil Protection,
➢ Administration, and
➢ Registrar's Office.

4.3 Research Analysis and Results

There are specific goals of the questionnaire which give answers and which are consistent with objectives of the study. Specific goals of the questionnaire give answer of following questions:

➢ Does human resource management exist in the municipality Novi Grad Sarajevo?
➢ Are employees of the Municipality motivated and satisfied?
➢ What are the main motivators for employees of the Municipality?
➢ What can be done to improve the motivation of employees?

There is a relation that can be notices. Regarding the gender and satisfaction with the employer, women are more satisfied with their employers. Also, when it comes to fear of being laid off, women are more secure in keeping their jobs, as well as gender and answer to the question would they be willing to work longer for a higher salary, women do not want to work longer hours while men do.

Hence, the attitudes about satisfaction with their employer and fear of losing their job are different in male and female respondents. Female respondents are more satisfied with their employer and less worried about losing the job. Regarding the research questions of the thesis, these values indicate that the respondents are motivated to some extent, but still not enough, because of the perceived job insecurity.

Figure 4. Satisfaction with the current job in % of respondents
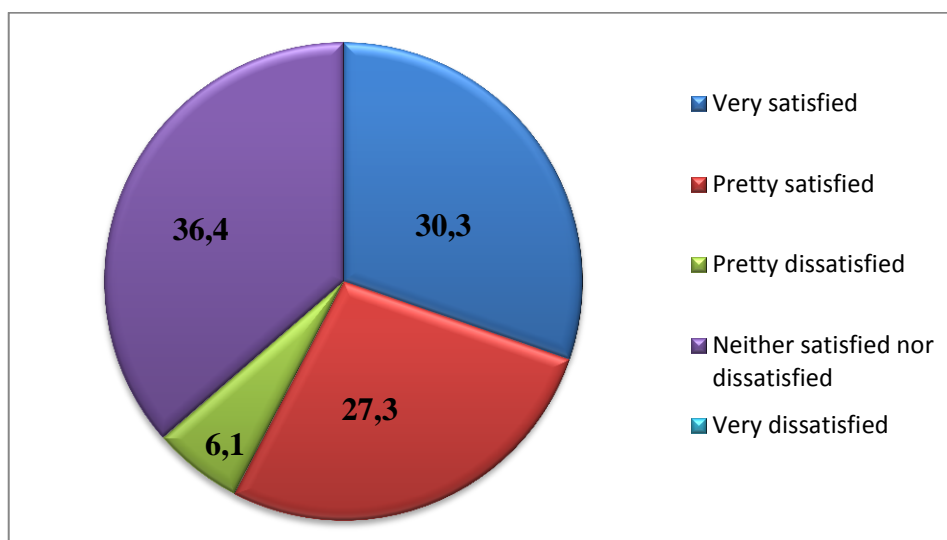

Figure 4. shows the satisfaction with the current job of the respondents. 36,4% of the respondents say they are neither satisfied nor dissatisfied with their current job. 30,3% say they are very satisfied, and 27,3% are pretty satisfied. 6,1% are pretty dissatisfied. This

implies that the respondents are to a high degree satisfied with their job, but still not enough, and something has to be done to satisfy the rest of the employees, as well. If not so, it is possible that the now satisfied employees become dissatisfied as the time passes, too.

Figure 5. Satisfaction with the current salary in % of informants
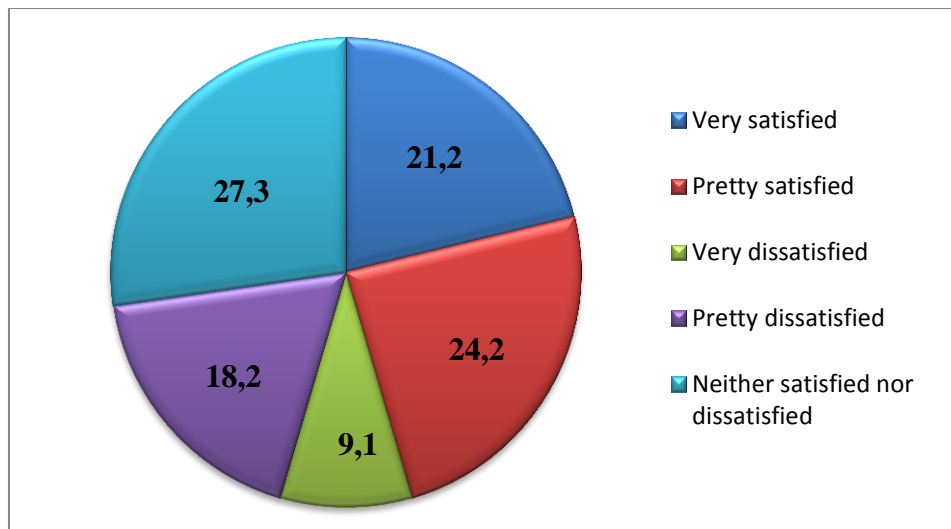
When it comes to the salary, like shown in figure 5., most of the respondents (27,3%) are neither satisfied nor dissatisfied, 24,2% are pretty satisfied, while 21,2% are very satisfied with their salary. 18,2% are pretty dissatisfied, and 9,1% are very dissatisfied with the salary. As the salaries in the public sector in B&H are higher than the average salary in B&H, the answers are not a surprise. The dissatisfaction with the salary is, beside personal opinions, caused by the standardized salary grades for particular levels of education. So, employees that are working for a long time, but have just a high school degree, are paid less than employees started working recently, but with a university degree. As everyone is highly subjective in such situations, "elder" employees believe that they should be paid more, because they have more work experience, etc.

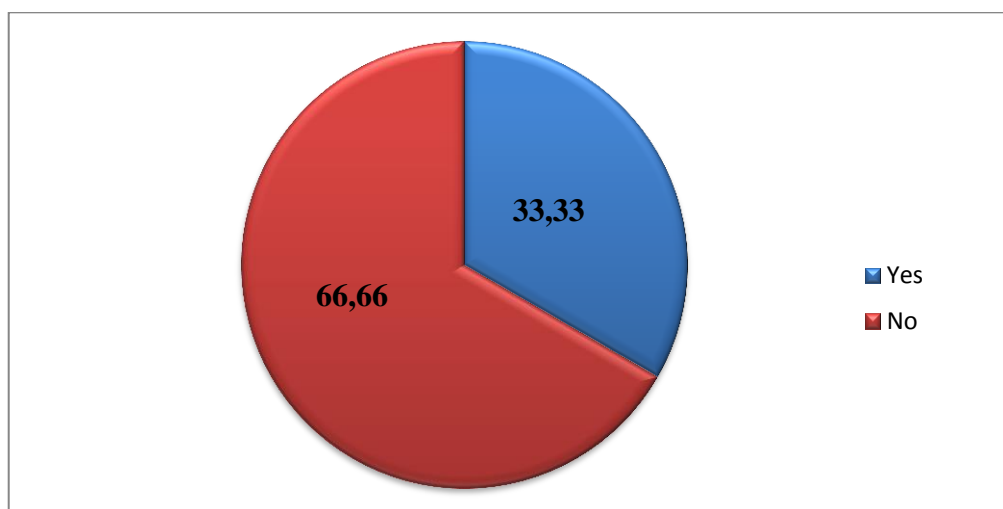*Figure 6.* Opinion about the work and payment for it (in % of respondents)

Figure 6. shows the opinion of the respondents on the question if they are well paid for the job they do. Just a third or 33,33% say they are well paid for the job they do, while 66,66% think they are not well paid. The previous figure 5. and figure 6. actually give answers on the similar questions, but the answers are not similar. While in figure 5. 27,3% say they are neither satisfied nor dissatisfied with their salary, in figure 6. they state not being paid well for their job. Dissatisfied employees are not motivated, so again, motivation has to be improved. It seems like money is the key for motivation and satisfaction for employees in the municipality Novi Grad

Figure 7. Satisfaction with the employer (in % of respondents)
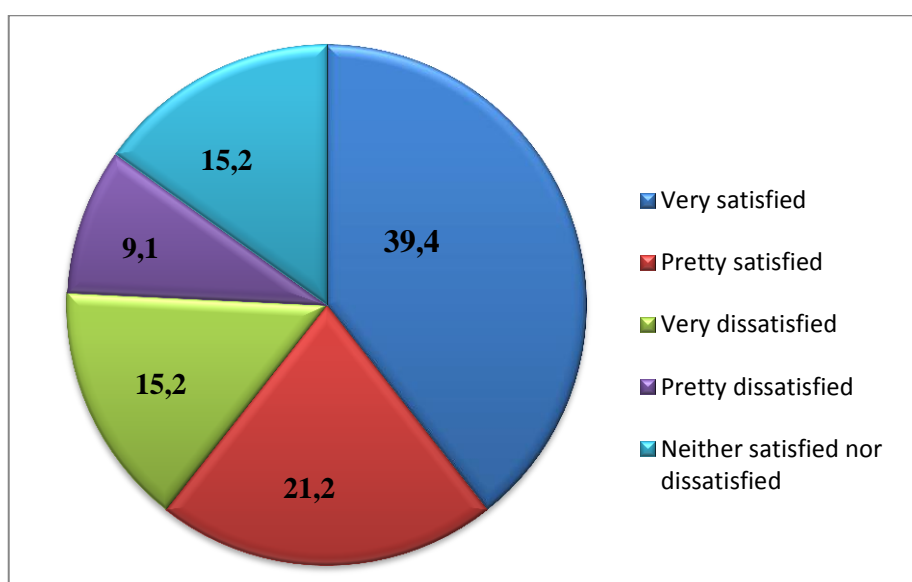
39,4% of respondents say they are very satisfied with the employer, 21,2% are pretty satisfied, and 15,2% have no opinion about their employer. 9,1% are pretty dissatisfied, and 15,2% very dissatisfied with their employer. The dissatisfaction with the employer can

be related to the current mayor and his motivation approach, because the employer is in fact the state, and the conditions of employment, like vacation, salary, insurance, etc. are regulated by laws, and cannot be a source of dissatisfaction, especially not in a country like B&H.

Figure 8. Satisfaction with working hours in % of respondents
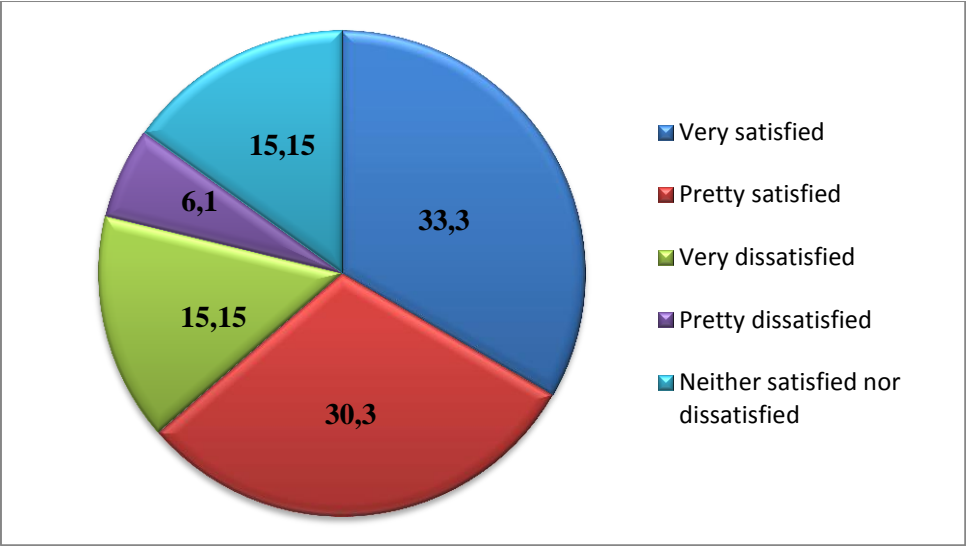
When it comes to working hours, it is incomprehensible that about 21% of respondents say they are dissatisfied with the working hours. The Municipality works from 7.30 am to 4.00 pm, with a break of 30 minutes for employees. So, it is a normal 8 hours working day. Employees that claim they are working too long are obviously highly unmotivated. Again, there is a lack of motivation.

Figure 9. Opinion about colleagues in % of respondents
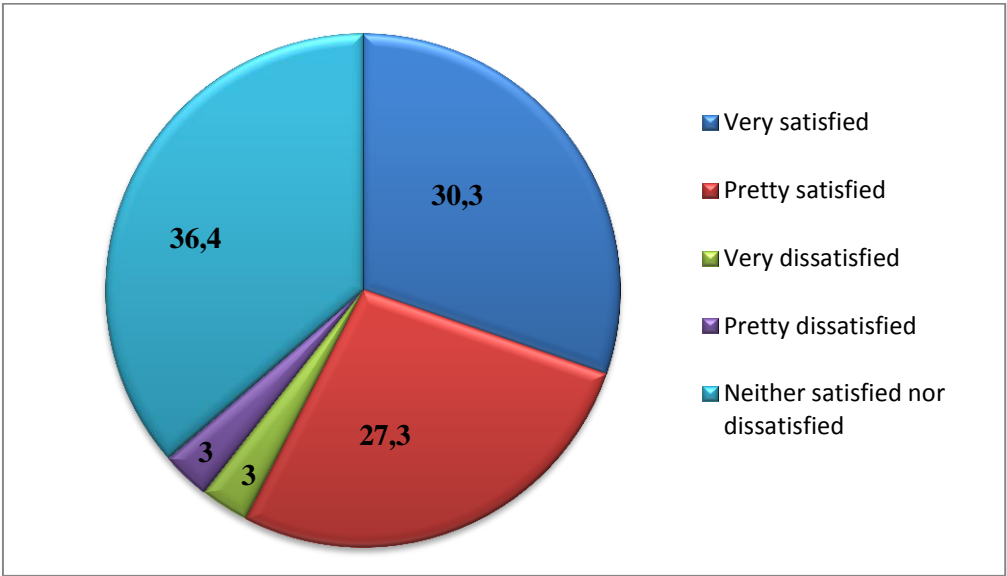
Around two thirds (30,3% and 27,3%) of respondents are satisfied with their colleagues, while 36,4% are neither satisfied nor dissatisfied. Just 6% are not satisfied with their colleagues. This is a normal human phenomenon, it is hard to like everyone you meet or work with. This attitude can be improved by involving employees in different group projects, so interpersonal relation can be improved, as well.

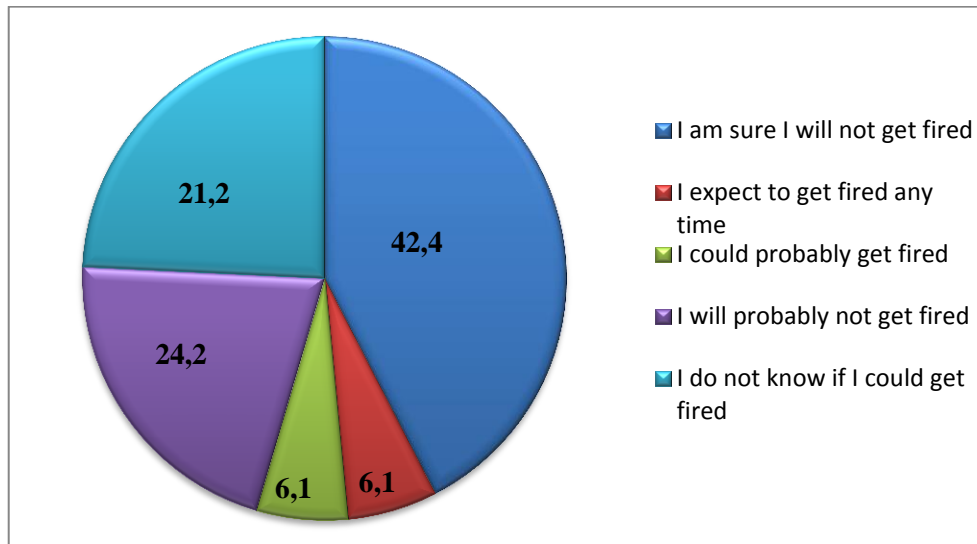*Figure 10.* Expectations about job security in % of respondents

Figure 10. shows the opinipon on job security. Around 67% (42,4% and 24,2%) are have a positive opinion on their job security. This is a logical sequence, having in mind the Public service law of FB&H (29/03, 23/04, 39/04, 54/04, 67/05, 08/06, 04/12). According to this law, it is almost impossible to get fired when you once get the status of an civil servant. 21,2% have no opinion about their personal job security, and 12,2% (6,1% and 6,1%) expect to be fired. Here, it has to be emphasized that a lot of employee changes in the public sector of B&H is being made in years of elections. Every political party that comes on stage has it „people" that have to be placed on the right place – job. It requires a lot of work, motivation systems, and willingness to change this, and to put people on particular jobs in accordance with their education, skills, and abbilities, rather than by their belonginess to a political party.

Figure 11. Number of minimun (18) days of vacation in % of respondents

Figure 11. Number of minimun (18) days of vacation in % of respondents
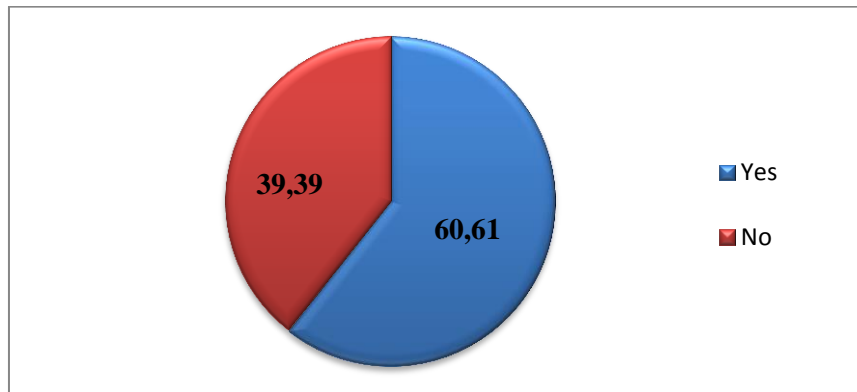
On the question if they have the minimum of 18 working days of vacation, 60,61% of the respondents said yes, and 39,39% said they do not have. This can be the result of the Labor law of FB&H (Official gazette of FB&H, no.43/99, 32/00, 29/03), according to which an employee can have vacation if he or she is working already at least six months in the particular organization. In public organizations like municipalities in B&H, employees that have the right on vacation cannot waive the vacation.

Figure 12. Willingness to work more for a higher salary in % of respondents

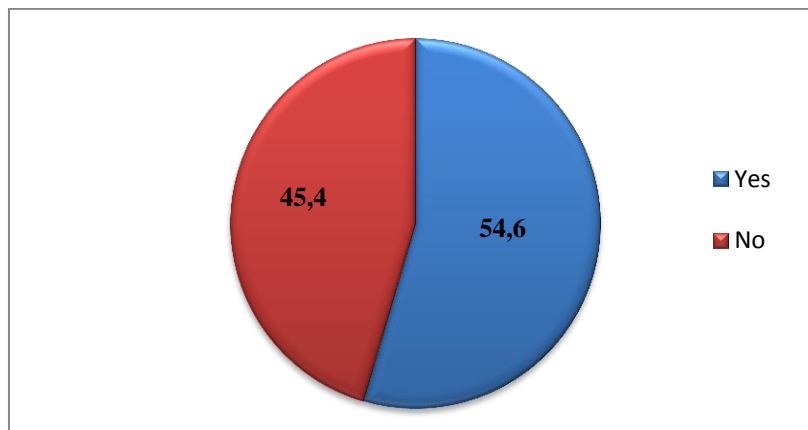Figure 12. is showing the willingness of the respondents to work more for a higher salary. 54,6% say yes I would work more for a higher salary, while 45,4% say they are not willing to work more even if the salary were higher. This is an indicator that the employees are in fact satisfied with the work/salary ratio. Also, it seems that money is a very influential motivation factor for these employees.

Figure 13. Willingness to work less for a lower salary in % of respondents
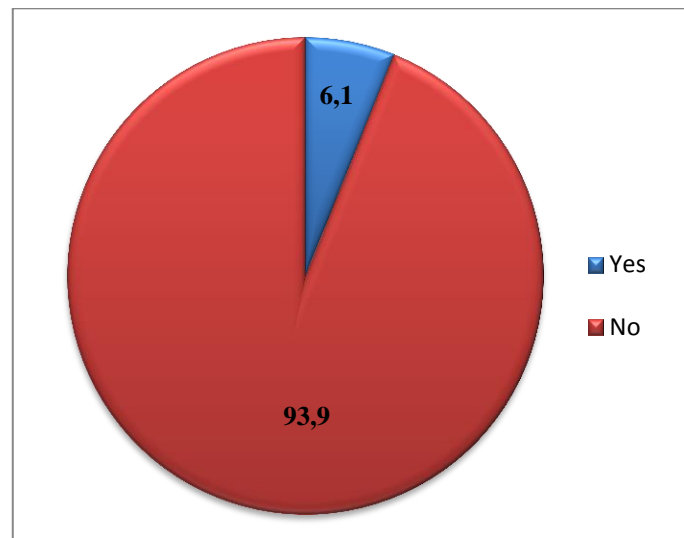
Eventhought around a third of the respondents said they are not satisfied with the working hours, now just 6,1% say they would work less for a lower salary. 93,9% are not willing to work less for a lower salary. Money is obviously their most influential motivation factor.

Figure 14. Ways for getting the current job in % of respondents
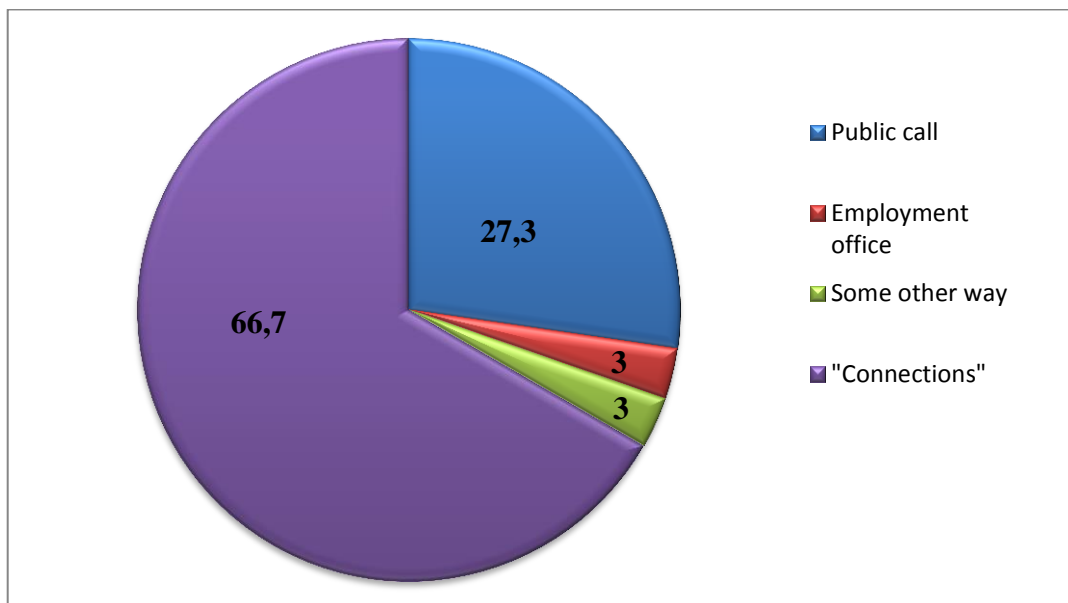
Figure 14. shows the answers on how the respondents got their current job. It is a devestating fact that 66,7% of the respondents got theor job via „connection", or in an illegal way. 27,3% got their job trough a public call, 3% trough an employment office, and 3% on some other way. This fact tells very much about the possibility of employment, as well as the approach to human resources, and consequently the importance of motivation for superiors in the municipality.

Having in mind the research questions and analyzing the given results, relations on the base of logical analysis can be established.

In regard to the age of the respondents, older respondents are more satisfied with their salary, than their younger colleagues. This can be connected to human behavior. Younger people have more fads that require more money, while the elder find satisfaction in things that are less „expensive". So, the same amount of a salary can be perceived in two different way.

Further, there are some connections between answers on different question. For example, the answers of the respondents on the questions "How satisfied are you with your current job" and "How satisfied are you with your employer" are connected in this way that a significant number of respondents who are satisfied with their current job are satisfied with their employer also, and vice versa, so the conclusion can be made that the respondents identify their jobs with their employer. If the employer is perceived as a good one, the employees will be more satisfied with their job too. The subjective satisfaction with employers is also connected with the salary, relationships with colleagues, increased security with keeping the job and decreased desire for a job with more work for a higher salary.

Also, there is a very significant connection between job satisfaction and satisfaction with salary, as well as with the height of the salary. Thus, here, the conclusion is that the respondents equalize the job with their salary. Also, there is an obvious negative relation between job satisfaction and willingness to work overtime for a higher salary, which is logical. Respondents that are satisfied with their salary are not willing to work overtime and earn more money. They rather use their time otherwise.

The satisfaction with the salary is also connected with satisfaction with the employer, job security, vacation days, and working hours. These relations are not surprising. The salary is the main reason of why people are working. So, if they are satisfied with the salary, they probably perceive their employer as a good one. Further, when employees are satisfied with their main reason of work – the salary, this satisfaction is transferred to other work factors like vacation days, working hours, etc. The sense of job security can be connected to the public sector, better said to the Labor law and Law of public service in B&H. Satisfaction with colleagues at work is in a positive relation with satisfaction with the employer.

It is interesting that on the question „If you were offered a job and you know there is a more friendly working atmosphere and colleagues and the employer is very cooperative, but the salary is lower, would you accept?" about four fifth of the respondents gave a negative answer.

In regard to the research question what motivation factors have the most influence on the employees in the municipality Novi Grad, how to improve motivation, and which motivation tools should be used for motivating the employees, and summerizing the above mentioned relations between answers on different questions in the questionnaire, it can be concluded that still money or salary is the basic motivation factor for employees of the municipality Novi Grad. This is confirmed to by the fact that four fifth of the respondents would not change their current well paid job, for a less paid one, in a friendly working environment, and good corporative climate, even they are not satisfied with their current colleagues and employer.

When it comes to improvement of motivation, it is clear that motivation is very neglected in the municipality Novi Grad, similar like in the whole public sector of B&H, and it has to be improved using different approaches. In the municipality do not exist an HRM department, so they are no motivation techiques applied on the employees either. Motivation of employees is not seen as a important factor for the success of the organization. There should be employed a person to deal with human resources, their motivation in first line. Managers must be aware that only motivated employees can contribute to the success of the municipality. Still, the state should take the responsibility to bring closer HRM to all public organizations. Although there are some published strategies for development of human resources in the public sector of B&H (Strategija upravljanja razvojem ljudskih resursa Općine Doboj, Public Administration Reform Strategy), their application in the reality is still lacking. Managers must understand that every single employee has to be treated as an individual, and motivated in accordance with his personal characteristics. Motivation must start from the process of hiring, and is crucial for retaining good employees. Also, employees should have regular education and training opportunities, to be able to keep pace with the ever changing working environment and requirements set to them.

When choosing motivation tools applicable on particular employees, managers have to analyze every employee as an individual with his specific goals, needs, fears, etc. It has to be emphasized that in a state such B&H is, it is not a big surprise that employees basic motivation factor is money. The people are fighting for the existence of their familys. You cannot fead your children, or buy them clothes and schoolbooks from the kindness of your colleagues, employer, etc. Having in mind the research results and the fact that the most popular motivation methods are based on pay systems, in the municipality Novi Grad the most appropriated motivation tool would be the introduction of performance-related pay systems. PRP are to reward employees on a periodic base, it is independent from the salary. PRP do not include regular pays dependent on the work conditions. Most times they are applied on the individual base, although it can be used on the team level as well. The main reason for using this systems is to motivate employees to become more hardworking and in this way to gain bonuses and rewards related to their performance. Also, it is a tool to bring closer organizational goals to employees and their personal goals, so employees

can identify themselve with the organization. The main problem that can occure can be the funding of these systems. However, despite all problems that can occur, performance related pay systems could bring many benefits into the public sector. For this, the system has to be appropriately designed and applied, taking into account external and internal factors. If the implementation of PRP systems wants to be successful, employees have to be included in the whole process, from the preparation to the implementation. In this way it was done in Germany. In the end, PRP systems that intent to be successful have to be linked and coordinated to development opportunities, reward systems and evaluation of employees. Evaluation of employees is crucial for these systems. Results of a completed OECD Survey on strategic human resource management (2002) show that more than 80% of OECD countries have developed a system which links performance to pay.

However, monetary and non-monetary rewards have to exist in the municipality.

CONCLUSION

The wave of administration reform began in Great Britain in 1979 when this country made some radical changes in the program and modus operandi of the government and its administration in order to reduce the role of the state in the economy.

This significant change in jurisdiction and activities led to a fundamental reconsideration of practices and concepts of already existing systems in the public administration. Despite joining the EU, some neighboring countries had not conducted reforms and this became an obstacle in their economic and social development (Kovačević & Bušaltija, 2009). The state of the technological development and increased knowledge of citizens opened new possibilities and demanded from the state authority new, different, faster, more quality and cheaper services. A greater economic interdependence and growing significance of international connectedness and joining the European and world community demands constant adjustments of the state administration to new tasks. With the acceleration of change processes, the public administration in transitional countries is changing on all levels: local, regional and central. The development of the market economy, transition of the industrial societies of socialism into a post-technological environment of the 21st century demanded redefining principles which represented the basis of organization and functioning of the public sector.

Management can be in the simple term interpreted as leadership. Management is basically an American term for leadership and represents a function which has the goal of efficiently providing, distributing and using all resources in order to achieve a certain goal. The concept of management can also be connected to various business functions such as production, marketing, finance, human resources etc. Management is also connected to small and big organizations for different business functions. There are differences and specificities between countries, organizations and functions in terms of management. Some principles, knowledge, skills and activities such as: planning, organizing, leading or controlling are in common for all types of organizations. The term management is used in three different meanings: organization, administration and leadership. But, in the American terminology it is differentiated in terms of administration which is comprised of determining goals and formulating policies in achieving these goals; organization as an organizational system with goals and whose constituents determine the framework and methods of implementing measures of managements. According to Peter Drucker (1990), the term management is two-fold: a) managing is connected to the people on top of a given organization. The term manager is often associated with the terms boss or chief; b) managing is an activity which managers conduct in order to make other people work for them. Further, he differentiates two levels of management: a) management of any organization such as: state and its administration, military, churches, schools, hospitals, sports associations, clubs etc., and b) management of business entities, i.e. management of enterprises which have some of the characteristics which differentiate them from the

earlier. The foundation of the job of a manager is making decisions and taking actions which have economic results, managing some business activities, other managers and employees. According to Drucker (1990), managing is a business activity. Different understandings of the meaning of the job of management can be divided into four basic groups: defining management as a process, defining management as a scientific discipline or skill, defining management as a profession and defining management as a carrier and occupation. One of the ways to understand the complexity of management is to observe certain managers in different levels of an organization with different ranges of organizational activities (Subotić, 2010).

In organizations with a complex organizational structure or work process, there are entire systems of smaller groups such as work groups or business units, production facility, sector, department, work or expert teams and other. Groups in organizations are comprised of several employees who perform tasks together and among which relationships of direct interaction are established and where there exists an organized and coordinated harmonization of their business activities. In order for a group of people to represent an organization, there must be a division of tasks among them in performing joint activities and every member must perform a certain task according to earlier established rules. For functioning of this human resource management is of utmost importance. An organization is comprised of people, assets, rules of performance and control. A modern life style imposes contacts with the organization. Contacts with various organizations such as work, cultural, educational, health, religious, political and entertainment establishments must be realized. An organization represents a framework in which every individual, their member, accomplishes their own visions and goals.

An organization necessarily restricts free and spontaneous behavior of their members by imposing upon them certain roles and norms. These restrictions are perhaps the basic hallmark of interaction of the organization and people. By observing the relationship between the organization and its members, two contradictory tendencies are evident. The first tendency includes efforts of the modern man to free themselves from institutionalization and to move away from the organization and act spontaneously and freely. Observing contradictory tendencies between institutionalization and spontaneity imposes certain philosophical questions (Bojanović, 1998):

➢ What is the human nature like? Does man strive to be spontaneous and creative or does he need outside influences to determine his behavior?

➢ Are people more efficient at work if their creativity is not constrained or if their behavior is completely determined and controlled?

➢ Does the control of human behavior and repression impairs the health of individual and makes them unhappy?

In this effort to examine the relationship between people and organizations, there can be noticed two basic approaches. These are: a view based on the perspective of people and a view based on the perspective of the organization. The view which is based on peoples' needs strives to change the organization in order to adjust it to the needs of a mature personality. This is based on the principle of movement in psychology named humanistic psychology whose founding father is Abraham Maslow. He had the now famous theory known as motivation theory. The basic principle of understating this approach centers on human needs which are derived from a wider philosophical understanding about the existence of inner balance – homeostasis. The most significant human needs are physiological, the needs for security, love, esteem and self-assurance follows. In modern society, most physiological needs are satisfied and there dynamic significance is less emphasized. Needs in the higher hierarchical levels are more prominent such as personal and social needs and the need for self-actualization. This means that a mature human being has needs which are on a higher hierarchical scale. A person wants to be independent and creative, to have freedom of choice and a chance to develop his personality (Mihailović, 2010).

Contrary to peoples' needs, there are restrictions imposed by the organization. It strives to program human behavior and restrict freedom of choice. The organization requires conformism, obedience, dependence and those forms of behavior which could be described as immature. The organization can satisfy the needs of individuals but only under certain circumstances and not wholly. In this aspect, the organization and employees are two opposing sides in which employees often reacts in a way which is dysfunctional for the organization. Employees try to resist, consciously (by sabotaging or organizing unions) or subconsciously (defense mechanisms) which is manifested by failure and a decrease in productivity. In order for the organization to prevent this, it takes measures of intimidation and punishment which causes an even more dysfunctional behavior. It is hard to create conditions for individuals to express their personalities and simultaneously achieve goals set by the organization (Mihailović, 2010). In order to meet personal and organizational goals motivation is crucial. Conflicts in the organization are considered the other part of cooperation. They are part of the cooperation and cannot be considered negative but rather positive processes (Dulanović & Jaško, 2007). Apart from the definition given by Mary Parker Follett, in modern literature conflict represents "a form of interaction between individuals who have different interests, perceptions and preferences." Authors state that the causes of conflicts are struggles between individuals for different benefits in the organization. Among these are power, authority, reputation, status, money and other factors. Most contemporary authors differentiate between functional conflicts, which are used to articulate different opinions and orientations, and dysfunctional conflicts which decrease productivity, morals and increase anxiety and absenteeism. Considering that the causes of absenteeism can be conflicts, it is necessary to talk about different kinds of conflicts.

Motivational techniques or theories and their combinations are crucial and they determine the behavior of the employees to a huge degree, i.e. the growth of their satisfaction and vice versa, when the decline of satisfaction and motivation of the worker influences their productivity. Managers and leaders would like a motivated team of employees or groups and employers would like to employ a motivated person. Moreover, the requirements of the employer are greater for example they want to hire a person who is highly motivated (Richard, 2010). In the course of time, the idea of management and notion of an employee has changed, from the notion of an employee as a resource which should be exploited to the maximum to a potential which should be guided and directed. Today, the notion of motivation and manipulation are often interchangeable or wrongly interpreted. Manipulation versus leadership and human resources management through motivation differs in a situation where motivated employees and managers "unite" and act in the same direction to achieve a common goal. Simply put, manipulation would be directing someone to do something because we want them to do that while motivation would be directing someone to do something because they want to do it.

Motivation can be defined as readiness of individuals for action in order to satisfy their needs, i.e. internal physical and psychological state of misbalance, i.e. absence of something. When talking about basic motivation techniques, first it is important to emphasize their elements. There are few of these factors, more precisely two are crucial: material motivation and non-material motivation. Besides dividing motivational compensation between financial and non-financial, direct and indirect, motives for work can be divided into external, for example systems of payment, working conditions, managing, and internal, like education, training, more vacation, and promotion. As shown in the research, there are motivation factors from both, external and internal, but one motivation factor prevails in the municipality – money.

Based on the conducted research, analysis and discussion of results, the conclusion is that employees in the municipality Novi Grad, even though they are employed in the public sector, are mainly motivated by money, in other words the basic stimulus are monthly salaries. The next factor in determining satisfaction and motivation of employees is the number of annual vacation days and working hours. Relationships with colleagues are seemingly not that important and they are in a relation with satisfaction with the employer. The significant fact is that employees identify job satisfaction with the employer. The comparison of questions "Would you work more for a higher salary?" and "Would you work less for a lower salary?" are also interesting, because they confirm that money is the basic motivation factor for the employees in the municipality Novi Grad.

What is surprising is the fact of misbalance in gender: there is a lesser job satisfaction and dissatisfaction with employers, as well as a desire to change their job in men while women have a higher sense of job security. The last question reveals that two thirds of employees obtained their current job via connections, whether those are friends or family, and this leads to the conclusion that recruiting new employees is done in an incorrect way which

reflects the fact that there is corruption and that it exists in the public sector. So, the conclusion is that there is not taken care of employees. Managing human resources is on a low level since the municipality imposes the height of salary as the main motivator and employees accept that. There is no mention about other aspects of motivation factors like monetary benefits and bonuses, or non-monetary - education, training, promotion, etc., so the pinnacle of benefits for the average employee of the municipality is annual vacation days.

Regarding the relation of gender and other question in the questionnaire, the interesting things are the relations between gender and satisfaction with the employer, where women are more satisfied with their employers, the relation between gender and fear of being laid off - women are more secure in keeping their jobs, and gender and answer to the question would they be willing to work longer for a higher salary – women do not want to work longer hours while men do. The sense of security in the work place is connected to the length of vacation days. The question „Is your employer abusing you?" is in a negative relation with the satisfaction with the employer. Just a small number of respondents said they would transfer to another job with a lower salary.

Reccomendations that might be given on the basis of the research are following:

➢ Managers have to pay more attention on HRM in the municipality Novi Grad. They must be aware of the importance of human resources in achieving set goals and for the success of the municipality. The public sector depends on human resources. Because of that, the state should contribute to development of HRM by implementing different, already existing, strategies.

➢ In order to have productive and successful employees, they have to be motivated in different ways. Only motivated employees are productive employees. For this, motivation systems have to be established, monetary, as well as non-monetary. At this time, money was the basic motivation factor in the mujnicipality, but if managers pay more attention to different motivation factors and approaches, this can be changed.

➢ Every employee is an individual and has to be treated so. Managers have to listen to their goals, needs, fears, etc.

➢ Performace-related pay systems should be developed properly and inroduced. Employees must be a part of it from the development to the introduction.

It takes a lot of effort to develop HRM and motivation, not only in the municipality Novi Grad, but also in the whole public sector. The presence of corruption makes it even harder. A big number of employees got their job through some relations and not by a regular way. So, before performance-related pay systems can be introduced, the way of employing has to be regulated in order to eliminate possible irregularities. Just in this way, performance

measurement will be useful and performance-related pay will meet the intent. The introduction of any motivation system will not be helpful, as long as the public sector is in the current condition.

In the end, even though the sample for this research is small, the results are interesting and it would be good to repeat this research with a bigger sample in order to get more precise results and to use them for the process of development of motivation systems.

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APPENDIX

TABLE OF APPENDICES

Appendix A

Questionnaire template

1. Gender:

      a) Male

      b) Female

2. Age:

      a) Below 30

      b) 30 - 50

      c) Over 50

3. How long have you been employed at the current workplace (wright your answer in years)?

4. How satisfied are you with your current job?

      a) grade 1 – very dissatisfied

      b) grade 2 – pretty dissatisfied

      c) grade 3 – neither satisfied nor dissatisfied

      d) grade 4 – pretty satisfied

      e) grade 5 – very satisfied

5. How satisfied are you with your salary?

      a) grade 1 – very dissatisfied

      b) grade 2 – pretty dissatisfied

      c) grade 3 – neither satisfied nor dissatisfied

      d) grade 4 – pretty satisfied

      e) grade 5 – very satisfied

6. How satisfied are you with your employer?

    a) grade 1 – very dissatisfied

    b) grade 2 – pretty dissatisfied

    c) grade 3 – neither satisfied nor dissatisfied

    d) grade 4 – pretty satisfied

    e) grade 5 – very satisfied

7. How satisfied are you with your relationship with your colleagues?

    a) grade 1 – very dissatisfied

    b) grade 2 – pretty dissatisfied

    c) grade 3 – neither satisfied nor dissatisfied

    d) grade 4 – pretty satisfied

    e) grade 5 – very satisfied

8. How satisfied are you with your working hours?

    a) grade 1 – very dissatisfied

    b) grade 2 – pretty dissatisfied

    c) grade 3 – neither satisfied nor dissatisfied

    d) grade 4 – pretty satisfied

    e) grade 5 – very satisfied

9. How afraid are you of losing your job? (1 – I expect to get fired any moment, 5 – I am sure I will not get fired)

    1. grade 1 – I expect to get fired any moment

    2. grade 2 – I could probably get fired

    3. grade 3 – I do not know if I could get fired

    4. grade 4 – I will probably not get fired

    5. grade 5 – I am sure I will not get fired

10. Is your employer abusing you in any way?

      1. YES

      2. NO

11. Do you have vacation?

      1. YES

      2. NO

12. Are your total vacation days more than 18 working days?

      1. YES

      2. NO

13. How many days per week are you working?

14. How much is your salary?

15. Do you think you are well paid for the work you do?

      1. YES

      2. NO

16. If you were offered a job with a higher salary but also longer working hours, would you accept?

      1. YES

      2. NO

17. If you were offered a job with shorter working hours but for a lower salary, would you accept?

      1. YES

      2. NO

18. If you were offered a job in a sector for which you know there is a more friendly working atmosphere and colleagues and the employer are very cooperative, but the salary is lower, would you accept?

     1. YES

     2. NO

19. How did you obtain your current job?

     1. Public call

     2. Employment office

     3. Connections

     4. Bribe

     5. Something else (specify)