The NPM Legacy: The Impacts of Job Insecurity, Innovativeness, and Public Employees' Trust in Their Supervisors on Organizational Performance

Yunsoo Lee*

Abstract: New Public Management posed challenges to governments by emphasizing the flexibility of workforce, innovation, and the role of supervisors in running public sector organizations. However, there is debate over whether job insecurity and organizational innovativeness contribute to organizational performance in the public sector. Furthermore, despite the growing awareness of the importance of supervisors, the issue of public sector employees' trust in their supervisors has received relatively little attention. The purpose of this article is to examine the impacts of job insecurity, innovation, and employees' trust in supervisors on organizational performance in order to explain these inconsistencies and fill the void in past research. It develops a structural equation model, built on two sets of Korean public employee survey data, whose results show that job insecurity is negatively related to performance, while employees' trust in supervisors and organizational innovativeness are positively associated with performance. In addition, employees' trust in supervisor is positively related to innovativeness.

Keywords: job insecurity, organizational innovativeness, employees' trust in supervisors, organizational performance, New Public Management

INTRODUCTION

New Public Management (NPM) has been one of the central themes in public administration over the past three decades. NPM reforms have aimed to promote

* Yunsoo Lee is an assistant professor in the School of Political Science and Public Administration at Shandong University. E-mail: yunsoolee@sdu.edu.cn

Manuscript received August 1, 2019; out for review August 15, 2019; review completed November 25, 2019; accepted November 25, 2019.

Korean Journal of Policy Studies, Vol. 34, No. 3 (2019), pp. 25-49.

efficiency and enhance government's responsiveness to citizens (Christensen & Lægreid, 2011). In order to be effective, responsive, and eventually accountable, governments have attempted to weaken job security, encourage organizational innovativeness, and highlight the role of managers in leading their team (Yang & Kassekert, 2010). Although Hood and Peters (2004) argue that NPM has reached middle age, Brinkerhoff and Brinkerhoff claim that it "remains an important framework for thinking about how the machinery of government can serve to achieve societal aims" (2014, p. 235). Therefore, understanding how the features of NPM personnel practices explain organizational outcomes is helpful.

In the marked contrast to employees in the private sector, public servants traditionally were guaranteed life-long employment. Historically, the life-long tenure of public servants originated from the need for to prevent them from being susceptible to political manipulation (Berman, Bowman, West, & Van Wart, 2013). As the influence of NPM grew, however, workforce restructuring and downsizing increased even in the public sector because through it governments acquired more flexibility to adjust their employment needs (Colley, 2012). The problem is that such changes did not necessarily make a difference in organizational performance, as NPM predicts. The impact of job insecurity on organizational performance, for example, is not clear (Wong, Wong, Ngo, & Lui, 2005). Drawing on agency theory, policy makers adopted labor market flexibility to motivate employees to perform (Artazcoz, Benach, Borrell, & Cortès, 2005). But organizational behavior scholars argue that job insecurity leads to poorer organizational performance because it negatively influences employees' attitudes about their work. Most job insecurity research has demonstrated that there are adverse attitudinal, behavioral, and even health-related outcomes (Bernhard-Oettel, De Cuyper, Schreurs, & De Witte, 2011; Brockner, Grover, Reed, & Dewitt, 1992; Conway & Briner, 2002, Frank & Lewis, 2004, Hellgren & Sverke, 2003; Kuhnert, Sims, & Lahey, 1989). In light of these contrasting views, it is important to further probe the question of how job insecurity affects organizational performance.

In recent years, innovation has emerged a major theme in public administration under the influence of NPM because it is an integral aspect of the performance paradigm (Yang & Kassekert, 2010). Private organizations coping with organizational change have always valued innovation, but there has an increasing recognition that innovation is also a significant element in the public sector (Hartley, 2005). NPM facilitated the implementation of administrative innovation in government, enhancing its performance (Schneider, 2007). In an environment of budget cuts, governments encourage innovation because it enables them to produce more with less (van Buuren, Eshuis, & Bressers, 2015). NPM favors innovation because it promotes cost efficiency and better meets high service demands (Windrum, 2008). For this reason, Yang and Kassekert (2010) consider innovation to be crucial feature of NPM. One good practical example is, according to Bilodeau, Laurin, and Vining (2007), Public Service 2000, a reform initiative implemented in Canada. Nonetheless, the pursuit of innovation may inhibit public sector performance because the predictability and regularity in running organizations that governments strive for can be at odds with it (Borins, 2001, 2002). In order to assess the effect of NPM on the public sector, research is needed to answer the question of how in light of the distinctive traits of public service institutions organizational innovativeness influences performance.

Furthermore, NPM enables governments to empower supervisors to do more than what laws and regulations require (Yang & Kassekert, 2010). Old approaches to public administration were based on a Weberian notion of bureaucracy that called for imposing standardized regulations on governments regardless of their type (Aucoin, 2011). Accordingly, supervisors had little discretion and were asked to follow the rules and control their subordinates (Dahl & Lindblom, 1992). Therefore, employees' trust in their supervisors was not a salient issue in the public sector. A number of studies have examined the question of trust in supervisors or aspects of it (Cho & Lee, 2012; Kim & Mullins, 2016; Reid, Allen, Riemenschneider, & Armstrong, 2008). However, it has been studied particularly extensively in the private sector. To facilitate a greater understanding of the role of supervisors, it is paramount to consider how employees' trust in supervisors affects organizational performance in the public sector. The extensive literature on supervisors also has not addressed the ways job insecurity affects employees' trust in supervisors. In order to provide an accurate picture of the consequences of NPM-type government practices, this matter too must be examined.

To fill the void in the literature, this article examines the impact of job insecurity on employees' trust in supervisors and organizational performance, assesses the effects of innovativeness on organizational performance, and investigates the influence of employees' trust in supervisors on organizational performance. A greater understanding of NPM practices can be obtained through the examination of the consequences of these factors on organizational performance as a whole.

This article is organized as follows. The following section outlines the theoretical background and hypotheses. The third section explains the methods and data used in this study. The fourth section presents the results of a structural equation model derived from an analysis of surveys of Korean employees conducted in 2013 and 2016 regarding their views on public administration. In the fifth section, the theoretical and practical implications of the results for public management are discussed. The article ends with a consideration of the limitations posed by the empirical model.

LITERATURE REVIEW AND HYPOTHESES

Job Insecurity and Employees' Trust in Their Supervisors

Greenhalgh and Rosenblatt (1984) define job insecurity as "perceived powerlessness to maintain desired continuity in a threatened job situation" (p. 438). In practice, many companies and even governments have sought more flexibility in hiring by adopting employment at will principles at the workplace (Berman et al., 2013). The doctrine of employment at will states that "employers have the right to initiate and terminate employment relationships at any time, for any reason or no reason at all" (Dunford & Devine, 1998). It is unambiguous how this principle might lead to job insecurity in the workplace. The main reason why human resources professionals prefer employment at will is that they believe that civil protections impedes management's ability to run their organizations effectively and that employment-at-will boosts performance (Coggburn et al. 2010). Although employment-at-will is not yet standard in the public service sector, some public servants are appointed by a mandate with or without a fixed term (Colley, 2012). For instance, in the state of Georgia in the United States, one governor maintained that public workers should have no protections from dismissal (Kellough, 1998). Personnel policies that verge on employment-at-will in the public sector may lead public employees to feel that their job security is as tenuous as that of private sector workers. Increasingly, public servants no longer expect as high a level of job security as they used to.

According to psychological contract theory, employees and employers have an unwritten psychological contract that specifies that if workers perform for the company, the company will support them in turn (Rousseau, 1989). The key element of this theory lies in the subjective interchange between employer and employee, each of whom has contractual status (Cullinane & Dundon, 2006). Breach of psychological contract occurs when employees perceive that their organization is failing to fulfill promises or obligations (Robinson & Rousseau, 1994). Such a breach often leads to mistrust (Raja, Johns, & Ntalianis, 2004; Zhao, Wayne, Glibkowski, & Bravo, 2007).

Although the written contract is supposed to guarantee job security by laying out when a worker will retire, in practice, the power of the contract is often doubtful because firms can implicitly force employees out in various ways. For instance, employees can be dispatched to departments that has nothing to do with the job they were originally hired to do. In more extreme case, employees are ordered to stare blankly at a wall without a desk. A firm is able to maneuver the level of job security without technically breaking the law. In cases like these, the psychological contract theory explains more than the actual contract does. Considering the fact that a firm often promises a rosy future when it recruits employees, it makes sense that a failure to fulfill its unwritten assurances would instigate mistrust of employees toward employers.

Job security is an important condition that employees want an organization to guarantee for their work (Spector, 2008). By contrast, job insecurity is often a traumatic experience for those involved (Kim & Choi, 2010). The higher the level of job insecurity, the more employees are likely to mistrust the organization they work for, and there is a vast amount of evidence supporting the idea of a negative link between job insecurity and employees' trust in organizations (Sverke, Hellgren, & Näswall, 2002). Job insecurity inhibits norms of reciprocity that encourage attention to others' welfare. The link between job insecurity and trust in organizations has received extensive treatment, but the link between job insecurity and trust in supervisors has not been covered as fully.

To be sure, supervisors are not necessarily identical with an organization, especially when supervisors are not the CEO or owner. Nonetheless, from a perspective of subordinates, supervisors represent the opinions of the organization because supervisors are often seen as agents of an organizations (Neves, 2011). Supervisors are more likely to be aware of organizational circumstances. More important, supervisors have more influence on the management of organizations than subordinates do. To an extent, managers are responsible for ensuring that subordinates receive essential information pertaining to their company and that they are provided with a comprehensive plan for their career. Thus, subordinates can expect supervisors to play a role in managing their occupational status.

In addition, job security undergirds the reciprocity between supervisors and supervisees, because subordinates are more likely to feel they are being treated well by their superiors if they have job security. Supervisors are expected to diagnose what it will take to get subordinates to make in painful changes and assess their demands. Moreover, supervisors are expected to provide subordinates with resources to ensure that they continue to be motivated. Supervisors need to act to allay fears and tackle rumors about layoffs by communicating management's intentions clearly and forthrightly to their subordinates. Subordinates often feel stressed and fearful that management's pledge of no layoffs might be reversed. If supervisors fail to provide job security, subordinates are not likely to reciprocate with trust toward their supervisors. In this regard, Kinnunen, Mauno, Nätti, and Happonen (2000) found that job insecurity weakens the quality of the relationship between subordinates and superiors. Drawing on psychological contract theory and empirical evidence, this article proposes that job insecurity is negatively associated with public sector employees' trust in their supervisors.

Hypothesis 1: Job insecurity is negatively associated with employees' trust in their supervisors.

Job Insecurity and Organizational Performance

There are two views about the impact of job insecurity on organizational performance that are diametrically opposed. One account comes from agency theory, which posits that job security creates a moral hazard that can lead employees to exert less effort if the level of job insecurity is low (Krautmann & Donley, 2009). Punishment on this view has a positive effect on employees' performance because it encourages them to modify their behaviors (Ambrose & Kulik, 1999). If employees perceive layoff as punishment, they are likely to change their behavior and spend more time and effort on their work. If employees conjecture that poorly performing employees are at a greater risk of being laid off, it is rational for them to increase their efforts (Staufenbiel & König, 2010). Firms thus typically use a threat of dismissal as an incentive to enhance performance by motivating employees to work hard so as to avoid being fired (Kwon, 2006).

Organizational behavior scholars, by contrast, contend that job insecurity has deleterious effects on organizational performance because it often negatively affects employees' attitude toward their work. For instance, Ashford, Lee, and Bobko (1989) reported that higher job insecurity leads to higher turnover intention, lower organizational commitment, and lower job satisfaction. Cheng and Chan (2008) also found that the body of evidence indicated that the effects of job insecurity are overwhelmingly negative.

All other considerations equal, public servants tend to accept low pay in return for job security. If the job insecurity of public employees who are being paid a low salary is increased, they will be less motivated to work hard. Since job insecurity makes their continued employment less certain, employees may find it difficult to concentrate on their jobs. Responding to heightened job insecurity, they may look for alternative job opportunities. When employees suffer from high levels of job insecurity, they are not likely to invest more in firm-specific skills acquisition or spend more of their personal resources on job-related tasks (Fella, 2005). As a result, managers will find it harder to get employees to perform at the desire level on firm-specific tasks. For these reasons, job insecurity will not necessary generate higher levels of performance, thus suggesting that job insecurity may be negatively associated with organizational performance.

Hypothesis 2: Job insecurity is negatively associated with organizational performance.

Employees' Trust in Their Supervisors and Innovativeness

In a bureaucratic institution like a government, the role of the supervisor is essential in encouraging organizational innovativeness. A supervisor may utilize his or her discretion over administrative innovation (Berry, 1994), and a competent supervisor turns visionary ideas into management practices that deliver innovation (Li, Bhutto, Nasiri, Shaikh, & Samo 2018). Further, innovation is a cooperative activity that requires interaction and collaboration (Grant, 2008), and an unresponsive leader with a parochial mindset chokes off innovation. Managers also need to play a role in encouraging recalcitrant team members to embrace innovation because sticking to old practices hinders transformation. The development of innovative ideas can be accelerated through human interactions (Grant, 2008). Team members will not offer new ideas unless supervisors assume responsibility. Therefore, trust in their supervisor will promote management innovation, which implies that employees' trust in their supervisors is positively associated with organizational innovation.

Hypothesis 3: Employees' trust in their supervisor is positively associated with organizational innovation.

Employees' Trust in Their Supervisors and Organizational Performance

Employees' trust in their supervisors enhances job performance. Trust lubricates the frictions of social life. Employees' performance is positively affected by trust in their supervisors because supervisors who are perceived as supportive of the workforce help ramp up job satisfaction among employees (Wu, Huang, Li, & Liu, 2012; Yang & Kassekert, 2010). A strong supervisor-supervisee relationship is of great importance to organizations, because it encourages organizational citizenship behavior (Colquitt, Scott, & LePine, 2007; Dirks & Ferrin, 2002; Poon, 2006), increases organizational commitment (Yang & Mossholder, 2010), reduces monitoring costs, and constructs a cooperative work environment (Li & Tan, 2013). Dirks and Ferrin (2002) conducted a meta-analysis of trust in leadership and found that an improvement in trust boosts job performance.

One question is whether public sector employees' trust in their supervisors has similar effects. Although ever since Sayre (1958) proposed that the public and private sectors are alike except in a few crucial aspects, many scholars (e.g., Bozeman and Bretschneider, 1994; Boyne, 2002) have attempted to definitively establish the similarities and differences between them, no clear answer on this matter has yet emerged. With regard to the impact of employees' trust in their supervisors on organizational performance, it is expected that, ceteris paribus, outcomes similar to those in the private sector will be found in the public sector as well. To varying degrees, a public servant works with a team member, and oftentimes he or she coordinates with higher-ranked personnel. Supervisees' trust in their supervisors helps them acquire tacit knowledge, and the possession of such know-how improves overall job performance. This is as true for public sector workers as it is for private sector workers. Additionally, subordinates who trust their supervisor are likely to share task-relevant ideas and information and to make suggestions because they believe that their supervisors treat them fairly and recognize their input as valuable. Thus this study proposes that employees' trust in their supervisors is positively associated with organizational performance.

Hypothesis 4. Employees' trust in their supervisor is positively associated with organizational performance.

Organizational Innovativeness and Performance

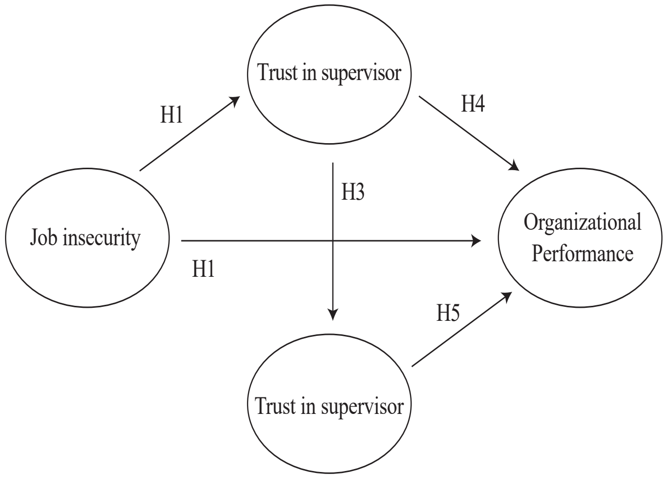
According to Moore, Sparrow, and Spelman (1997), innovations ought to be "new to the organization . . . [and] be large enough, general enough and durable enough to appreciably affect the operations or character of the organization" (p. 276). Business literature mainly concentrates on technological innovation, especially new commercialization of goods and services to meet customer needs (Grant, 2008; Hartley, 2005). In the public sector, however, innovation is vague. For the purpose of this article, innovativeness refers to an environment that fosters innovation in the public sector.

Constantly changing environments force governments to tackle new challenges in creative ways (Mihm, 2009). It seems clear that organizational innovativeness makes a difference in organizational performance because innovativeness provides governments with strategies for navigating volatile environments. However, there is some dispute over whether an innovative environment affects organizational performance in the public sector. The values of public organizations overseen by bureaucratic, highly hierarchical, risk-averse governments can be at odds with the idea of innovation and create structural impediments to it (van Buuren et al. 2015). What's more, the existing bureaucratic rigmarole can stifle innovation and engender side effects. Moreover, the conventional wisdom is that public sector innovation is a virtual oxymoron because it conflicts with other traditional values, such as due process (Borins, 2002), for which it is held highly accountable. This suggests that an innovative environment in the public sector may harm organizational performance.

Innovations are adopted by public organizations to improve the services they deliver to users and citizens, services whose goal is to enhance quality of life and to create a healthy community (Walker, Damanpour, & Devece, 2011). In order to be successful, an organization must adapt to changing environmental conditions, and innovativeness helps governments to develop more knowledge-based decision models and to collect and analyze information based on thoughtful evaluations (Subramanian & Nilakanta, 1996). This does not encumber due process. Such changes rather help government institutions to remain effective and respond to community needs (Paulsen, 2006). As Albury (2005) notes, "Innovation is essential to the improvement of public services" (p. 51). It also enhances the government's responsiveness in meeting citizens' need (Alves, 2013). A good example is this how motor vehicle commissions in the United States adopted an online paper application system to address to citizens' relentless complaints about their long waiting times. This effort partially satisfied citizens because it shortened the time it took for the agency to complete tasks. This transformation was possible because the organizations were open to change. In accord with this sort of empirical evidence, this study hypothesizes that organizational innovativeness is positively associated with organizational performance.

Hypothesis 5. Organizational innovativeness is positively associated with organizational performance.

Figure 1. Research model.



METHODS

Sample

The Korea Institute of Public Administration has been conducting surveys with public servants every three years since 1992. The population of the 2013 and 2016 survey of public employees' opinions on public administration consisted of central and local public servants in South Korea. The 2013 survey relied on a stratified proportional sampling of central and local public servants, departments, types of occupation, and ranking and employed a questionnaire survey method. It polled 1,027 employees from 49 central government department and 570 employees from 16 metropolitan local governments. The final number of respondents was 1,000. 63.4% of which were male. The distribution of age was as follows: 70 were in their 20s, 371 were in their 30s, 356 were in their 40s, 202 were in their 50s, and 1 was over 60.

The 2016 survey also used stratified proportional sampling and collected responses from 1,180 employees from the central government and 1,309 employees from local metropolitan municipalities. The final number of sample was 1,000. The data included a wide variety of workers such as administrative, human resources, and information technology staff as well as managers. On average, the respondents were 41.1 years old (ranging from 22 years old to 60 years old), and 366 participants were female (36.6%).

Measures

Organization Performance

Organizational performance was assessed using Brewer and Selden (2000)'s items: "The customer satisfaction toward my organization is very high"; "My organization has conducted business relations with outside customers very promptly"; "The occurrence of goal attainment is very high in my organization"; and "The work performed by my work unit provides the public a worthwhile return on their tax dollars." All of the items were measured on a 5-point Likert scale (1=strongly disagree; 5= strongly agree). Mean values were used to combine multiple items.

Job Insecurity

Job insecurity was assessed using one item: "Drawing on your knowledge of the level of job security of your counterpart in the private sector, who do you think has more job security, the public employee with your job or your private sector counterpart?" A 1 to 5 scale was used, where 1=public employee and 5=private employee. Thus, 5 indicates that the respondent felt he or she faced a higher level of job insecurity.

Standard measures of job insecurity need to capture employees' perception of the threat of dismissal (Shoss, 2017). Job security is one of the most critical features that distinguishes the public sector from the private sector. Public employees often compare their situation to that of private sector employees. Therefore, their feeling about job insecurity is connected to how they rate their job insecurity in comparison to private sector workers of the similar rank or talent.

Employees' Trust in Their Supervisors

Employees' trust in their supervisors can be measured in various ways. This study employs the following items: "My supervisor takes my concerns seriously"; "Subordinates trust their supervisors"; and "My supervisor approaches his or her job with professionalism and dedication." Responses were based on a 5-point Likert scale coded 1 (very unlikely) to 5 (very likely). The mean of each of these dimensions of trust was used to represent a composite measure of trust.

Organizational Innovativeness

A four-item measure was utilized to assess organizational innovativeness: "My agency responds rapidly to changes in the external environment"; "My agency is open to change"; "My agency values innovative workers"; and "My agency appreciates innovative thinking." Responses were based on a 5-point Likert scale coded 1 (very unlikely) to 5 (very likely). Thus, a 5 indicates higher levels of organizational innovativeness.

RESULTS

The 2013 data yields the following results. The mean of job insecurity is 1.86 with a standard deviation of .725. Employees' trust in their supervisors is positively associated with organizational performance (r=.580, p <.01). Organizational performance is also positively related to innovativeness (r=.587, p <.01). With the 2016 data, the measure of job insecurity yields a mean response score of 1.96 with a standard deviation of .81. The three antecedents are substantially related to organizational performance, and there is a fairly strong positive correlation between employees' trust in their supervisors and organizational performance (r=.600, p <.01). Organizational performance has a positive correlation with innovativeness (r=.553, p <.01). Job insecurity is negatively related to organizational performance (r=-.162, p <.01). All significant correlations are found in the expected direction. The results of correlations look similar to those for 2013. Table 1 presents means, correlations, and the reliability coefficient, which is applicable to all study variables.

Table 1. Means, Standard Deviations, and Correlations, 2013 and 2016

2013	Mean	Standard Deviation	1	2	3	4
Job Insecurity	1.86	.73	1			
Trust in Supervisor	3.34	.75	-.038	(.877)		
Organizational Innovativeness	3.17	.74	.006	.684**	(.834)	
Organizational Performance	3.51	.62	-097*	.580**	.587***	(.873)

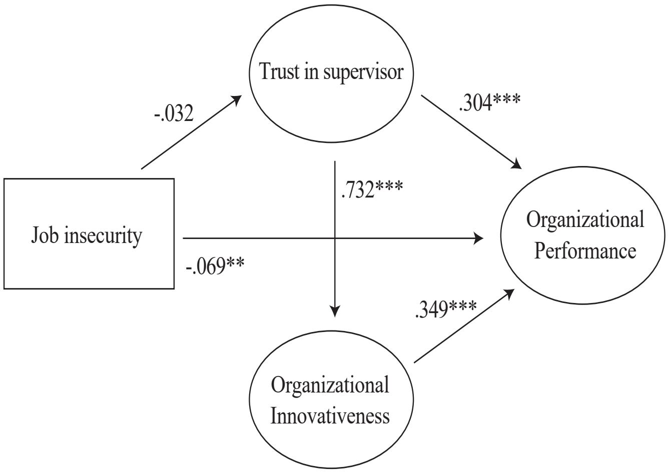
2016	Mean	Standard Deviation	1	2	3	4
Job Insecurity	1.96	.81	1			
Trust in Supervisor	3.15	.76	-.100**	(.874)		
Organizational Innovativeness	2.99	.74	-.023	.726**	(.839)	
Organizational Performance	3.38	.63	-.162**	.600**	.553**	(.868)

Notes: *P<05. **<.01. The values of Cronbach alpha are reported in parentheses.

This study uses a structural equation model because it offers a way to establish an integrative model that considers both direct and indirect links among variables (McLeod, Scheufele, & Moy, 1999). Maximum likelihood estimates of the model were obtained using STATA. Before testing hypotheses, the feasibility of the proposed research model was checked. The results show that this model fits the data. The 2013 data yielded a root mean square error of approximation (RMSEA) value of .073, a comparative fit index (CFI) value of .960 of CFI, and a standardized root mean square residual (SRMR) value of .035 of SRMR. The chi-square difference test was also significant (chi-square=895.06; degree of freedom= 51). For the 2016 data, the RMSEA value was .069, the CFI value was .966, and the SRMR value was .031. The chi-square difference test was significant (chi-square=1541.44; degree of freedom=51). According to Cho and Sai (2012), good RMSEA and SRMR values are ones that are lower than their threshold values of 0.07 and 0.05, respectively. Also, CFI needs to be higher than its threshold value of 0.90. All show a relatively good fit.

Figure 2 presents the standardized coefficient of the structural equation model for the 2013 survey data. It is worth pointing out that the relationships between job insecurity and employees' trust in their supervisors is negative but is insignificant. Thus this result disconfirms the hypothesis that job insecurity is negatively related to trust. Job insecurity is negatively associated with organizational performance (β=-.069, p<.01). Trust positively affects organizational innovativeness (β=.732, p<.001). The link between trust and organizational performance is positive and significant (β=.304, p<.001). Organizational innovativeness is related to organizational performance supporting the hypothesis that organizational innovativeness is positively associated with organizational performance (β=.349, p<.001). Although the relationship between job insecurity and employees' trust in their supervisors is statistically insignificant, the association was in the expected direction. The tested structural model is visually presented in figure 2.

Figure 2. Structural equation modeling results using the 2013 survey data.

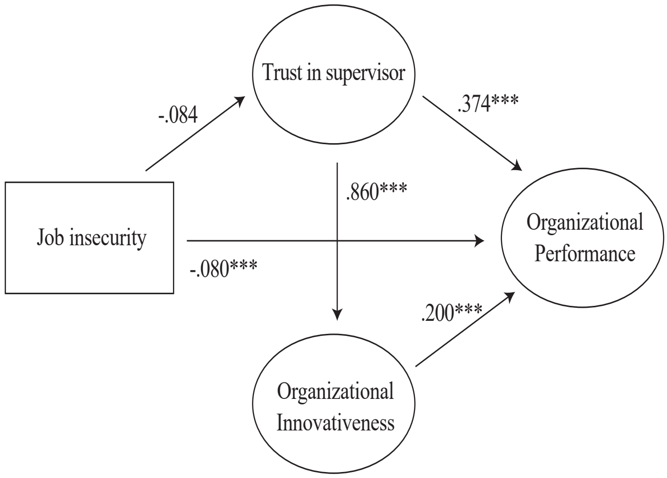


Notes: **p* < .05; ***p* < .01; ****p* < .001; The coefficients are standardized.

Figure 3 displays standardized path estimates derived from analysis of the 2016 survey data, which bears out the prediction that job insecurity is negatively associated with employees' trust in their supervisors (β=-.084, p<.01). It should be noted that this result is different from that for the 2013 data. The data taken together therefore provides partial support for the first hypothesis.

Analysis of the 2016 data also bears out the hypothesis that job insecurity is inversely related to organizational performance (β=-.080, p<.01). Employees' trust in their supervisors is strongly associated with organizational innovativeness (β=.860, p<.001). The hypothesis that employees' trust in their supervisors is positively associated with organizational performance is likewise borne out (β=.374, p<.001). The path estimates between organizational innovativeness and performance is significant and positive (β=.200, p<.001), which also supports the hypothesis that organizational innovativeness is positively associated with organizational performance. These results derived from the analysis of the 2016 data are consistent with the outcomes from the analysis of the 2013 data.

Figure 3. Structural equation modeling results using the 2016 survey data.



Notes: *$p < .05$; **$p < .01$; ***$p < .001$; The coefficients are standardized.

DISCUSSION

Because the public sector is different from the private sector in many respects, it is not clear that its adoption of market mechanism as dictated by NPM can be effective. As Rocha, Crowell, and McCarter (2006) have suggested, studies of the impact of job security in a variety of sectors is needed because employees react differently to job security depending on the sector they work in. Although a growing body of research has explored issues relating to job security, innovativeness, and the role of supervisors, less is known know about the effects of these as a whole. The purpose of the present study is to investigate the relationship of job security, employees' trust in their supervisors, innovativeness, and organizational performance. The parsimonious framework of this study lays out a more explicit set of mechanisms of key features of NPM reforms.

Agency theory and organizational behavioral scholars have offered conflicting accounts of the impact of job insecurity on performance. Agency theory explains organizational phenomena when the principal cannot verify whether the agent has behaved appropriately (Eisenhart, 1989). This theory can be applied to the context of workplace in the public sector: the government (the principal) can use a threat of dismissal to make public servants (the agent) behave appropriately and induce them to work harder. Eventually, according to agency theory, overall organizational performance will be improved by job insecurity. Most organization researchers, however, refute this idea by showing that job insecurity whittles down organizational performance. This study attempts to resolve this dispute by providing evidence that job insecurity has detrimental effects on organizational performance. Analysis of the 2013 and 2016 surveys of Korean public servants shows that job insecurity is negatively associated with organizational performance. These results support the argument of organizational behaviorists that job insecurity saps motivation and undermines organizational performance.

Investigations of the relationship between innovativeness and performance in the public sector have likewise generated contradictory results. Innovation reduces performance as operational glitches take place when new ways of working are introduced (Hartley, 2005). Nonetheless, this study provides evidence that innovativeness leads to better performance even in the public sector. The extent of the effectiveness of innovation depends on how able the organization is to cope with changes. Government organizations have been deemed inappropriate institutions for innovation because their function is typically regarded as maintaining status quo and guaranteeing due process. However, the results of this study imply that welcoming new ideas and applying those in practice can enable governments to address citizens' changing demands and thus improve their performance.

While public administration researchers recognize that supervisors play a crucial role in organizations, they show disproportionately little interest in the relationships between job insecurity and employees' trust in their supervisors. This study extends what is known about employees' trust in their supervisors and its link to job insecurity. Even if personal job insecurity is largely determined by individual job competence, subordinates tend to rely on the advice and directions of supervisors to a varying degree. The evidence presented in this study partially shows that higher levels of job insecurity diminishes subordinates' trust in their supervisors, because subordinates who feel they are at high risk of losing their jobs often believe their supervisors did not provide enough support or protect them well enough.

For practitioners of public personnel management, three key implications can be drawn from the results for this study. The most salient finding of this study is the importance of job insecurity. Since job insecurity diminishes organizational performance, policies that weaken job security should be reconsidered. A flexible contract workforce has been considered an effective human resources strategy for boosting performance. From the organizational point of view, restructuring and layoffs have helped improve many firms' competitiveness by providing them with the functional and numerical flexibility necessary to adapt to a changing environment

(Sverke & Hellgren, 2002). In the private sector business world, performance can be gauged by looking at an individual worker's accomplishments, such as their sales of cars or insurance policies. This is because a profit provides a clear standard, numerical measure. Therefore, private employees are prone to think that job insecurity stems from their own incompetence. In the public sector, however, it is more difficult to assess performance. If employees face heightened job insecurity without knowing what the criteria are being used to judge their performance, they are likely to not work as hard. Such a reaction to job insecurity could pose a serious problem for public organizations. To make matters worse, employees who experience high levels of job insecurity do not trust their supervisors as much.

Another insight that emerges from the empirical results of this study is that public practitioners need to pay attention to innovativeness. Many government organizations find themselves under intense pressure to deliver social services at a lower cost. Hence, government should promote innovation, using new ideas to address the most urgent priorities. To be sure, public administration must establish continuity internally and externally. Moreover, governments need to be prepared to confront the risks associated with innovations (van Buuren et al. 2015). This research shows that organizational innovation is critical because it has a salutary effect on organizational performance, enabling government bureaucracies to find a balance between making rapid changes and preserving continuity as they seek to satisfy the changing demands of citizens, the result of which is better performance. Many bemoan the lack of incentives for innovation in the public sector, and public employees use the failure of previous attempts at innovation as an excuse to maintain the status quo (Borins, 2001). To get the most benefit from innovativeness, governments should create a supportive workplace environment that provides incentives to develop new approaches. Also, managers should establish conditions conducive to rapid adaptation.

The final important outcome of the present study lies in its implications regarding the role of supervisors in the public sector workplace. This study provides evidence that as supervisors garner greater trust, performance is enhanced. Hence, supervisors should realize that their relationship with subordinates can have a transformational effect on organizational performance. Creating an atmosphere in which employees trust their managers minimizes social uncertainties and interpersonal risks (Li & Tan, 2013). Therefore, organizations should offer education programs for cultivating the relationship between supervisors and subordinates.

Several limitations attend the findings of this study. First, this study introduces a cultural perspective to the job insecurity literature by assessing the impact of job insecurity in the Korean context. Korea is the good place to examine the repercussions of NPM because its principles have been widely adopted there (Boo, 2010). However, the sample is regional in nature and represents only Korean public servants. Thus, the serious question is whether this result is applicable to other states. Future research should take other countries' contexts into account for fully explain the impacts of job insecurity.

Second, the current analysis is not free from common method bias, because individual-level factors and dependent variables come from the same data source. This may inflate the magnitude of relationships between variables (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Therefore, it would be helpful to take account of contextual factors such as the characteristics of public organizations. For instance, a multilevel analysis that accounts for influences at both the organizational level as well as individual level could identify the antecedents of organizational performance without having to worry as much about common method bias. Hence, future studies ought to examine the effects of NPM by using a multilevel analysis.

A third limitation concerns the measure of job insecurity. A single-item measure was used for job insecurity. The appraisal of job insecurity is largely subjective and highly contextual (Bartley & Ferrie, 2001). Due to the availability of data, this study was only able to use the single measure of job insecurity, one that does not capture cases in which the employee continued to be employed. Therefore, where possible, future studies should employ the measures that feature a variety of characteristics of job insecurity.

A final limitation is that the survey data used in this study were collected at one point in time. The cross-sectional nature of the data in a structural equation makes it difficult to infer strong causal relationships. There may be a plausible reverse causality between trust and job insecurity. For instance, Arnold and Staffelbach (2012) argue that trust in one's employer reduces job insecurity. Longitudinal research should be conducted to gauge levels of trust before, during, and after a change in job security. Alternatively, an experimental or quasi-experimental research design might establish casual connections.

CONCLUSION

This study used a perception measure to gauge organizational performance. Although the information reported by public employees could accurately reflect organizational performance, perceptual measures of performance are often seen as less useful than objective measures because the observed results are subject to attribution bias (Perry-Smith & Blum, 2000; Wall et al. 2004). The measure of organizational performance used in this study thus has limitations.

By the same token, despite these limitations, perceived organizational performance is often used as a measure in the public sector because objective measures cannot capture all features of the overall performance, and subjective measures tend to cover more aspects of performance, thereby providing a more comprehensive picture of performance (Andrews, Boyne, & Walker, 2006). Moreover, research has suggested that there is a high degree of correlation between objective and perceptual measures of performance (Dess & Robinson, 1984; Dollinger & Golden, 1992). Finally, when financial measures are unavailable, perceived organizational performance is helpful (Andrews et al., 2006). In the private sector, organizational performance is easily measured by objective and monetary index such as return on investment, market share, and growth rates of sales. Regardless of what a company sells, its performance can be computed numerically. By contrast, government performance cannot be easily calculated in numbers. For these reasons, this paper uses a perception measure of organizational performance. Nonetheless, because perceptual measures are subjective and open to potential biases, this may raise concerns over the accuracy of the results reported in this study, and so incorporating an objective indicator of organizational performance would help head off such problems.

REFERENCES

Albury, D. 2005. Fostering innovation in public services. *Public Money and Management*, 25(1): 51-56.

Alves, H. 2013. Co-creation and innovation in public services. *Service Industries Journal,* 33(7-8): 671-682.

Ambrose, M., & Kulik, C. 1999. Old friends, new faces: Motivation research in the 1990s. *Journal of Management*, 25(3): 231-292.

Andrews, R., Boyne, G., & Walker, R. 2006. Subjective and objective measures of organizational performance: An empirical exploration. In R. Andrews, K. Meier, L. O'Toole, & R. Walker (eds.), *Public service performance: Perspectives on measurement and management* (pp. 14-34). Cambridge: Cambridge University Press.

Arnold, A., & Staffelbach, B. 2012. Perceived post-restructuring job insecurity: The impact of employees' trust in one's employer and perceived employability.

Zeitschrift für Personalforschung/German Journal of Research in Human Resource Management, 26(4): 307-330.

Artazcoz, L., Benach, J., Borrell, C., & Cortès, I. 2005. Social inequalities in the impact of flexible employment on different domains of psychosocial health. *Journal of Epidemiology and Community Healt*h, 59(9): 761-767.

Ashford, S., Lee, C., & Bobko, P. 1989. Content, cause, and consequences of job insecurity: A theory-based measure and substantive test. *Academy of Management Journal*, 32(4): 803-829.

Aucoin, P. 2011. The political-administrative design of NPM. In T. Christensen & P. Laegreid (eds.), *New Public Management* (pp. 33-46). Farnham, UK: Ashgate.

Bartley, M., & Ferrie, J. 2001. Glossary: Unemployment, job insecurity, and health. *Journal of Epidemiology and Community Health*, 55(11): 776-781.

Berman, E., Bowman, J., West, J., & Van Wart, M. 2013. *Human resource management in public service: Paradoxes, processes, and problems.* Thousand Oaks, CA: Sage.

Bernhard-Oettel, C., De Cuyper, N., Schreurs, B., & De Witte, H. 2011. Linking job insecurity to well-being and organizational attitudes in Belgian workers: The role of security expectations and fairness. *International Journal of Human Resource Management*, 22(9): 1866-1886.

Berry, F. 1994. Innovation in public management: The adoption of strategic planning. *Public Administration Review*, 54(4): 322-330.

Bilodeau, N., Laurin, C., & Vining, A. 2006. Choice of organizational form make a real difference. *Journal of Public Administration Research and Theory*, 17(1): 119-147.

Boo, H. 2010. Korea's experience with NPM-based reform: Applying the policy fashion concept. *Korean Journal of Policy Studies*, 25(1): 19-33.

Borins, S. 2001. Encouraging innovation in the public sector. *Journal of Intellectual Capital*, 2(3): 310-319.

Borins, S. 2002. Leadership and innovation in the public sector. *Leadership and Organization Development Journal*, 23(8): 467-476.

Boyne, G. 2002. Public and private management: What's the difference? *Journal of Management Studies*, 39(1): 97-122.

Bozeman, B., & Bretschneider, S. 1994. The "publicness puzzle" in organization theory: A test of alternative explanations of differences between public and private organizations. *Journal of Public Administration Research and Theory*, 4(2): 197-224.

Brewer, G., & Selden, S. 2000. Why elephants gallop: Assessing and predicting organizational performance in federal agencies. *Journal of Public Administration Research and Theory*, 10(4): 685-712.

Brinkerhoff, D., & Brinkerhoff, J. 2015. Public sector management reform in developing countries: Perspectives beyond NPM orthodoxy. *Public Administration and Development*, 35(4): 222-237.

Cheng, G., & Chan, D. 2008. Who suffers more from job insecurity? *A meta-analytic review. Applied Psychology*, 57(2): 272-303.

Cho, Y., & Sai, N. 2012. Does organizational justice matter in the federal workplace? *Review of Public Personnel Administration*, 33(3): 227-251.

Cho, Y., & Lee, J. 2012. Performance management and trust in supervisors. *Review of Public Personnel Administration*, 32(3): 236-259.

Christensen, T., & Lægreid, P. 2011. Introduction. In T. Christensen & P. Lægreid (eds.), *The Ashgate research companion to new public management*. Farnham, UK: Ashgate.

Coggburn, J., Battaglio, P., Jr., Bowman, J., Condrey, S., Goodman, D., & West, J. 2010. State government human resource professionals' commitment to employment at will. *American Review of Public Administratio*n, 40(2): 189-208.

Colley, L. 2012. Weathering the storm: Australian public sector employment security during decades of public management reform and the recent economic downturn. *Review of Public Perpesonnel Management*, 32(1): 87-101.

Colquitt, J., Scott, B., & LePine, J. 2007. Trust, trustworthiness, and trust propensity: A meta-analytic test of their unique relationships with risk taking and job performance. *Journal of Applied Psychology*, 92(4): 909-927.

Conway, N., & Briner, R. 2002. Full-time versus part-time employees: Understanding the links between work status, the psychological contract, and attitudes. *Journal of Vocational Behavior*, 61(2): 279-301.

Cullinane, N., & Dundon, T. 2006. The psychological contract: A critical review. *Intenrational Journal of Management Review*s, 8(2): 113-129.

Dahl, R., & Lindblom, C. 1992. *Politics, economics, and welfare*. Piscataway, NJ: Transaction.

Delaney, J., & Huselid, M. 1996. The impact of human resource management practices on perceptions of organizational performance. *Academy of Management Journal*, 39(4): 949-969.

Dess, G., & Robinson, R. 1984. Measuring organizational performance in the absence of objective measure: The case of the privately-held firm and conglomerate business unit. *Strategic Management Journal*, 5(3): 265-273.

Dirks, K., & Ferrin, D. 2002. Trust in leadership: Meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, 87(4): 611-628.

Dollinger, M., & Golden, P. 1992. Interorganizational and collective strategies in small firms: Environmental effects and performance. *Journal of Management*, 18(4): 695-715.

Dunford, B., & Devine, D. 1998. Employment at-will and employee discharge: A justice perspective on legal action following termination. *Personnel Psychology*, 51(4): 903-934.

Eisenhardt, K. 1989. Agency theory: An assessment and review. *Academy of Management Review*, 14(1): 57-74.

Fella, G. 2005. Termination restrictions and investment in general training. *European Economic Review*, 49(6): 1479-1499.

Frank, S., & Lewis, G. 2004. Government employees: Working hard or hardly working? *American Review of Public Administration*, 34(1): 36-51.

Grant, R. 2008. *Contemporary strategy analysis*. Cambridge, MA: Blackwell.

Greenhalgh, L., & Rosenblatt, Z. 1984. Job insecurity: Toward conceptual clarity. *Academy of Management Review*, 9(3): 438-448.

Hartley, J. 2005. Innovation in governance and public service: Past and present. *Public Money and Management*, 25(1): 27-34.

Hellgren, J., & Sverke, M. 2003. Does job insecurity lead to impaired well-being or vice versa? Estimation of cross-lagged effects using latent variable modelling. *Journal of Organizational Behavior*, 24(2): 215-236.

Hood, C., & Peters, G. 2004. The middle aging of New Public Management: Into the age of paradox? *Journal of Public Administration Research and Theory,* 14(3): 267-282.

Kellough, J. 1998. The reinventing government movement: A review and critique. *Public Administration Quarterly*, 22(1): 6-20.

Kim, M., & Choi, J. 2010. Layoff victims' employment relationship with a new employer in Korea: Effects of unmet tenure expectations on trust and psychological contract. *International Journal of Human Resource Managemen*t, 21(5): 781-798.

Kim, T., & Mullins, L. (2016). How does supervisor support and diversity management affect employee participation in work/family policies? *Review of Public Personnel Administration*, 36(1): 80-105.

Kinnunen, U., Mauno, S., Nätti, J., & Happonen, M. 2000. Organizational antecedents and outcomes of job insecurity: A longitudinal study in three organizations in Finland. *Journal of Organizational Behavior*, 21(4): 443-459.

Krautmann, A., & Donley, T. 2009. Shirking in Major League Baseball: Revisited.

Journal of Sports Economics, 10(3): 292-304.
Kwon, I. 2006. Incentives, wages, and promotions: Theory and evidence. *RAND Journal of Economics*, 37(1): 100-120.
Kuhnert, K., Sims, R., & Lahey, M. 1989. The relationship between job security and employee health, *Group and Organization Studies*, 14(4): 399-410.
Li, A., & Tan, H. 2013. What happens when you trust your supervisor? Mediators of individual performance in trust relationships. *Journal of Organizational Behavior,* 34(3): 407-425.
Li, W., Bhutto, T., Nasiri, A., Shaikh, H., & Samo, F. 2018. Organizational innovation: The role of leadership and organizational culture. *International Journal of Public Leadership*, 14(1): 33-47.
McLeod, J., Scheufele, D., & Moy, P. 1999. Community, communication, and participation: The role of mass media and interpersonal discussion in local political participation. *Political Communication*, 16(3): 315-336.
Mihm, C. 2009. Human capital: Federal workforce challenges in the twenty-first century. In H. Sistare, M. H. Shiplett, & T. Buss (eds.), *Innovations in human resource management: Getting the public's work done in the 21st century*. Armonk, NY: M. E. Sharpe.
Moore, M., Sparrow, M. and Spelman, W. 1997. Innovation in policing: From production line to jobs shops. In A. Altschuler & R. Behn (eds.), *Innovation in American Government* (pp.). Washington, DC: Brookings Institution.
Neves, P. 2011. Building commitment to change: The role of perceived supervisor support and competence. *European Journal of Work and Organization Psychology,* 21(4): 437-450.
Paulsen, N. 2006. New public management, innovation, and the non-profit domain: New forms of organizing and professional identity. In M. Veenswijk (ed.), *Organizing innovation: New approaches to cultural change and intervention in public sector organization*s (pp. 15-28). Amsterdam: IOS Press.
Perry-Smith, J., & Blum, T. 2000. Work-family human resource bundles and perceived organizational performance. *Academy of Management Journal*, 43(6): 1107-1117.
Podsakoff, P., MacKenzie, S., Lee, J., & Podsakoff, N. 2003. Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5): 879-903.
Poon, J. 2006. Trust-in-supervisor and helping coworkers: Moderating effect of perceived politics. *Journal of Managerial Psychology*, 21(6): 518-532.
Raja, U., Johns, G., & Ntalianis, F. 2004. The impact of personality on psychological contracts. *Academy of Management Journa*l, 47(3): 350-367.

Reid, M., Allen, M., Riemenschneider, C., & Armstrong, D. 2008. The role of mentoring and supervisor support for state IT employees' affective organizational commitment. *Review of Public Personnel Administration*, 28(1): 60-78.

Robinson, S., & Rousseau, D. 1994. Violating the psychological contract: Not the exception but the norm. *Journal of Organizational Behavior*. 15(3): 245-259.

Rocha, C., Hause J., & McCarter, A. 2006. Effects of prolonged job insecurity on the psychological well-being of workers. *Journal of Sociology and Social Welfare*, 33(3): 9-28.

Rousseau, D. 1989. Psychological and implied contracts in organizations. *Employee Responsibilities and Rights Journal,* 2(2): 121-139.

Sayre, W. 1958. Premises of public administration: Past and emerging. *Public Administration Review*, 18(2): 102-105.

Schneider, M. 2007. Do attributes of innovative administrative practices influence their adoption? An exploratory study of US local government. *Public Performance and Management Review*, 30(4): 598-622.

Shoss, M. 2017. Job insecurity: An integrative review and agenda for future research. *Journal of Management*, 43(6): 1911-1939.

Spector, P. 2008. *Industrial and organizational behavior*. Hoboken, NJ: Wiley.

Staufenbiel, T., & König, C. 2010. A model for the effects of job insecurity on performance, turnover intention, and absenteeism. *Journal of Occupational and Organizational Psychology,* 83(1): 101-117.

Subramanian, A., & Nilakanta, S. 1996. Organizational innovativeness: Exploring the relationship between organizational determinants of innovation, types of innovations, and measures of organizational performance. *Omega*, 24(6): 631-647.

Sverke, M., & Hellgren, J. 2001. Exit, voice and loyalty reactions to job insecurity in Sweden: Do unionized and non-unionized employees differ? *British Journal of Industrial Relations*, 39(2): 167-182.

Sverke, M., & Hellgren, J. 2002. The nature of job insecurity: Understanding employment uncertainty on the brink of a new millennium. *Applied Psychology*, 51(1): 23-42.

Sverke, M., Hellgren, J., & Näswall, K. 2002. No security: a meta-analysis and review of job insecurity and its consequences. *Journal of Occupational Health Psychology*, 7(3): 242.

Walker, R., Damanpour, F., & Devece, C. 2011. Management innovation and organizational performance: The mediating effect of performance management. *Journal of Public Administration Research and Theory*, 21(2): 367-386.

Wall, T., Michie, J., Patterson, M., Wood, S., Sheehan, M., Clegg, C., & West, M.

2004. On the validity of subjective measures of company performance. *Personnel Psychology*, 57(1): 95-118.

Windrum, P. 2008. Innovation and Entrepreneurship in Public Services. In P. Windrum & P. Koch (eds.), *Innovation in Public Sector Services: Entrepreneurship, Creativity, and Management* (pp. 3-20). Cheltenham, UK: Edward Elgar.

Wong, Y., Wong, C., Ngo, H., & Lui, H. 2005. Different responses to job insecurity of Chinese workers in joint ventures and state-owned enterprises. *Human Relations*, 58(11): 1391-1418.

Wu, M., Huang, X., Li, C., & Liu, W. 2012. Perceived interactional justice and trust-in-supervisor as mediators for paternalistic leadership. *Management and Organization Review*, 8(1): 97-121.

van Buuren, A., Eshuis, J., & Bressers, N. 2015. The governance of innovation in Dutch regional water management: Organizing fit between organizational values and innovative concepts. *Public Management Review*, 17(5): 679-697.

Yang, K., & Kassekert, A. 2010. Linking management reform with employee job satisfaction: Evidence from federal agencies. *Journal of Public Administration Research and Theory*, 20(1): 413-436.

Yang, J., & Mossholder, K. 2010. Examining the effects of trust in leaders: A bases-and-foci approach. *Leadership Quarterly*, 21(1): 50-63.

Zhao, H., Wayne, S., Glibkowski, B., & Bravo, J. 2007. The impact of psychological contract breach on work-related outcomes: A meta-analysis. *Personnel Psychology*, 60(3): 647-680.