Public Service Motivation Theory: Differences between White Collar Criminals in the Public and Private Sectors

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PUBLIC SERVICE MOTIVATION THEORY: DIFFERENCES BETWEEN WHITE-COLLAR CRIMINALS IN THE PUBLIC AND PRIVATE SECTORS

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ABSTRACT

Public service motivation theory suggests that individuals tend to work in the public sector based on values that are different from the values of people who work in the private sector. This article explores differences between the public and private sector in terms of the prevalence and characteristics of white-collar criminals found in both sectors. Based on a sample of 369 convicted white-collar criminals in Norway from 2009 to 2013, this study shows that the prevalence of convicted white-collar criminals in the public sector is substantially lower than in the private sector. Furthermore, white-collar criminals in the public sector are significantly older, and they work in significantly larger organizations.

Key Words: white-collar crime, public sector, private sector, statistical analysis, Norway
1. Introduction

White-collar criminals are individuals who commit occupationally related financial crimes in a professional or organizational setting where they have legal access and can hide misconduct in legitimate transactions (Benson & Simpson, 2015). White-collar crime is a global problem of enormous dimensions. Fraud, financial manipulation, and corruption we find to varying degrees in every economy and society in the world. White-collar crime occurs in both the private and the public sectors of an economy.

Public service motivation theory seeks to explain why individuals choose public service over work in the private sector, given the perceived disparity in pay scale, advancement opportunities, and overall work environment (Kjeldsen & Jacobsen, 2013). We apply this theory to answer the following research question: What differences can be found in the prevalence and characteristics of white-collar criminals in the public versus the private sector?

2. Literature Review

2.1 White-Collar Criminals

A white-collar criminal was typically a member of the privileged socioeconomic classes in society (Sutherland, 1949) who is involved in illegal activities and commits nonviolent acts for financial gain (Gottschalk, 2014). The white-collar criminal is a person who commits crime in a professional setting, where criminals conceal and disguise their criminal activities in organizational work as law-abiding behavior (Pontell et al., 2014). The criminal has power and influence; he forms relationships with other persons or professionals, which protect him from developing a criminal identity, and he enjoys trust from others in privileged networks (Benson & Simpson, 2015). White-collar crime refers to offenses committed in an organization by those who indulge in dishonest activities either by themselves or using agents for financial gain (Schoepfer et al., 2014).

Law enforcement targeted at white-collar criminals tends to be non-aggressive and often discrete not only because of the upper class affiliation. Another reason for a more privileged
position compared to street criminals is the white-collar defendants’ ability to recruit top defense lawyers who conduct both symbolic defense and substantive defenses, as well as information control, in their work for white-collar clients (Gottschalk, 2014). It is well known that having a well-qualified and possibly famous attorney increases one’s chances of a favorable outcome in any legal dispute. Some individual white-collar offenders avoid criminal prosecution because of the class bias of the courts, where defendants typically belonged to the same social class as judges and attorneys (Tombs & Whyte, 2003).

When white-collar criminals appear before their sentencing judges, they can usually & correctly claim to be first-time offenders. According to Slyke and Bales (2013), theory and empirical research often have agreed that white-collar offenders benefit from leniency at the sentencing stage of criminal justice system processing. Croall (2007) argues that the term “crime” is contentious, as many of the harmful activities of businesses or occupational elites are not subject to criminal law and punishment but administrative or regulatory law and penalties and sanctions. Therefore, very few white-collar criminals seem to be put on trial, and even fewer higher-class criminals are sentenced to imprisonment. Another reason for the low prosecution and conviction rate for white-collar criminals is the extraordinary broad and vaguely defined offenses in criminal law for white-collar crime (Hasnas et al., 2010).

2.2 Public and Private Service Motivation Theory

Public service motivation theory suggests that some individuals work in the public sector based on their values, which from private sector values. Public sector values include a desire to contribute to the well-being of society in general through their work (Nalbandian and Edwards, 1983; Wright, 2007). The theory attempts to explain why individuals choose public service or private service (Kjeldsen & Jacobsen, 2013; Perry et al., 2010; Wittmer, 1991). This question has been studied in terms of how the work environment can create and facilitate public service motivation (Moynihan & Pandey, 2007) and measurement validity and reliability (Coursey & Pandey, 2007: Kim & Vandenabeele, 2010).

The concept of public service motivation is a theorized attribute of government employees that provides them with a desire to serve the public. It has been defined as “an individual’s predisposition to respond to motives grounded primarily or uniquely in public institutions or
organizations” (Perry & Wise, 1990). The theory attempts to explain why some people choose careers in the government and non-profit sectors despite the potential for more financially lucrative careers in the private sector. While job positions in the private sector can be more financially lucrative, they also tend to be very limited in scope with little or no impact on society. Conversely, job positions in the public sector can be less financially lucrative but tend to have a wider scope with a greater potential impact on society. Research into such correlates reveals that public service motivation varies among employees, and it is difficult to generalize regarding the motivations of everyone who works in the public sector. Research has been done to identify antecedents to public service motivation, exploring the impacts of political and religious socialization, professionalism, political ideology, and individual demographic characteristics on preference for public service employment (Perry, 1997). The findings suggest that childhood, religious, and professional experiences all contribute to the development of public service motivation. Similarly, Perry et al. (2008) found that religion and volunteer experiences are significantly related to public service motivation. Because of this positive relationship between volunteering and public service motivation, some of the determinants of volunteering are useful in our study. Because higher educational attainment and being female have been shown to positively influence propensity for volunteering (Perry et al., 2008), we could expect education and gender to influence whether or not an individual takes part in white-collar crime. An interesting note in the Perry et al. study (2008) is that, while they were investigating public service motivation. Their sample consisted of volunteers that were not public sector employees, suggesting that education level and gender could be important to our study irrespective of whether the crime was in the public or private sector.

Many of the general theories that explain white-collar crime in the private sector are also relevant in the public sector. An example is rational choice theory, which postulates that government officials may take calculated risks when benefits seem to outweigh costs (Paternoster & Simpson, 1996; Shover & Hochstetler, 2006). Another example is opportunity theory, which suggests that attractive criminal opportunities may arise in the public sector because of weak controls and absence of credible oversight (Benson & Simpson, 2015; Benson et al. 2009). A third example is strain theory, which argues that individual level strains can be alleviated via financial crime, such as low pay or threats to employment status (Messner & Rosenfeld, 2013; Passas, 1990). A fourth and final example is social learning theory suggesting at local and
organizational based attitudes, value orientations, and rationalizations are conducive to involvement in white-collar crime (Brathwaite, 1989; Sutherland, 1949).

3. Research Method

Our data come from a content analysis of reports about white-collar crime in the two main financial newspapers in Norway: “Dagens Næringsliv” and “Finansavisen”. Both of these papers are conservative-leaning business newspapers. In addition, the business-friendly national daily newspaper “Aftenposten” regularly reports news of white-collar criminals and so it was included in the study. Left-wing newspapers such as “Klassekampen” very seldom cover specific white-collar criminal cases, although they do report on the problem of white-collar crime in general.

The use of newspaper reports to assess involvement in white-collar crime is not without potential problems. Williams (2008) found that media coverage of white-collar crime cases tries to make sense of stories by selectively coding and communicating information to a variety of audiences. He argues that the media is not simply a device for reproducing narrowly hegemonic views of white-collar crime, but rather an active player that shapes regulatory meanings, moves markets, and sometimes encourages the very types of practices that may lead to corporate scandals.

Dagens Næringsliv, Finansavisen and Aftenposten were studied on a daily basis from 2009 to 2013 (five years) to identify stories reporting on white-collar cases and the people involved in them. A person was defined as a white-collar criminal if he or she satisfied the following criteria: (1) he or she committed an offense in a deliberate and purposeful manner as part of professional activity linked to regular business activities; (2) the offense involved large sums of money or large losses for others; (3) the offender had been portrayed in the paper as being successful and having high social status and a position of some power and access to organizational resources. In short, our approach to defining white-collar crime is consistent with the approach championed by Sutherland (1940) and other well-known white-collar crime scholars (Braithwaite, 1989). We focus on offenses committed by people of high social status and respectability in the course of their occupations. All of the registered offenses involved individuals working in organizational
settings (Benson & Gottschalk, 2016).

Verification of facts in newspaper accounts was carried out by obtaining court documents in terms of final verdicts. After registering newspaper accounts as an important indication of a white-collar offender, the contents in newspaper articles were compared to and supplemented by court sentencing documents, which typically range from five to fifty pages in Norwegian District Courts, Courts of Appeal and Supreme Court. Thus, we reduce the effects of counter measures by firms and individuals to cover up for their wrongdoings (Zavyalova et al., 2012).

4. Research Results

The three newspapers noted above were reviewed from 2009 to 2013 to identify stories reporting on cases of white-collar crime. Three hundred and sixty-nine criminals were registered in this five-year period in Norway (Gottschalk, 2015). There were 344 convicts in the private sector and 25 convicts in the public sector as listed in table 1. Thus, the public sector fraction of the sample is 7%.

In 2013, Norway had a population of 5 million people. There were 2.4 million persons working that year, out of which 1.7 million were in the private sector and 0.7 million were in the public sector. Public sector employees make up approximately 29% of the Norwegian work force, while 71% of Norwegian workers are employed in the private sector. However, as noted above, only 7% of the reported cases of white-collar crime between 2009 and 2013 involved public sector employees. This figure is substantially lower than would be expected if the prevalent rate for public sector white-collar crime approximated the proportion of public sector employees. This finding lends support to public service motivation theory about white-collar crime.

Besides the low prevalence rate, there are other differences between public and private sector white-collar criminals. White-collar criminals in the public sector are significantly older than private sector criminals. Detected public sector criminals are 50 years old on average when they commit crime, and they are 55 years when they are sentenced to prison in a Norwegian court.

Public sector criminals receive a prison sentence of 2.5 years on average, as listed in the Table,
which is slightly higher than private sector criminals. This is surprising, since the sum of money involved in crime is lower, only 15 million as compared to 50 million Norwegian kroner. Private sector criminals are somewhat wealthier and work in smaller organizations, but these differences are statistically not significant. There are more people involved in a crime case in the private sector, but again, this difference is not significant.

Table 1

Comparison of private sector criminals versus public sector criminals based on Gottschalk (2014, 2015)

<table>
<thead>
<tr>
<th></th>
<th>Total 369 white-collar criminals</th>
<th>344 criminals in private sector</th>
<th>25 criminals in public sector</th>
<th>T-statistic difference</th>
<th>Significance of t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age convicted</td>
<td>48 years</td>
<td>55 years</td>
<td>-3.111</td>
<td>.002</td>
<td></td>
</tr>
<tr>
<td>Age at time of crime</td>
<td>43 years</td>
<td>50 years</td>
<td>-3.386</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>Years in prison</td>
<td>2.3 years</td>
<td>2.5 years</td>
<td>-.683</td>
<td>.495</td>
<td></td>
</tr>
<tr>
<td>Crime amount</td>
<td>50 m NOK</td>
<td>15 m NOK</td>
<td>1.119</td>
<td>.264</td>
<td></td>
</tr>
<tr>
<td>Personal income</td>
<td>388 000 NOK</td>
<td>329 000 NOK</td>
<td>.409</td>
<td>.683</td>
<td></td>
</tr>
<tr>
<td>Personal tax</td>
<td>182 000 NOK</td>
<td>118 000 NOK</td>
<td>.903</td>
<td>.367</td>
<td></td>
</tr>
<tr>
<td>Personal wealth</td>
<td>3.0 m NOK</td>
<td>.6 m NOK</td>
<td>.885</td>
<td>.376</td>
<td></td>
</tr>
<tr>
<td>Involved persons</td>
<td>3.4 persons</td>
<td>2.7 persons</td>
<td>1.447</td>
<td>.149</td>
<td></td>
</tr>
<tr>
<td>Business revenue</td>
<td>208 m NOK</td>
<td>379 m NOK</td>
<td>-1.885</td>
<td>.060</td>
<td></td>
</tr>
<tr>
<td>Business employees</td>
<td>123 persons</td>
<td>266 persons</td>
<td>-1.918</td>
<td>.056</td>
<td></td>
</tr>
</tbody>
</table>

5. Discussion

Public service motivation theory predicts that the rate of white-collar crime in the public sector should be lower than in the private sector because of the values typically held by people who work in the public sector. These values promote the ideas of community service and the importance of the overall welfare of society in general. People who hold such values should be less inclined, therefore, to harm the public welfare by engaging in financial fraud or embezzlement in their work places. Although the low fraction of white-collar criminals in the public sector (7%) as compared to the fraction of the workforce in the public sector (29%) is
consistent with public service motivation theory, there are other possible explanations. For example, opportunity theory can be introduced as a source of explanation. Opportunities may be more limited in the public sector, where rules and controls rather than goals dominate the culture. Rules imply that adherence to rules is both desired and controlled. Deviant behavior is difficult, because norms and guidelines are explicit and known. The focus is on how you do your work, rather than what you achieve in your work (Gottschalk, 2015).

Furthermore, the public sector is dominated by a security culture. For example, information systems security is taken much more seriously, often at the expense of user access and ease of use (Chekwa et al., 2013). Increased information technology security reduces opportunities for fraud. In the area of procurement, public procurement may be less efficient and more bureaucratic, but at the same time provide fewer opportunities for fraud (Hawkins et al., 2011).

Opportunity theory suggests that criminal opportunities are an important cause of white-collar crime. Without an opportunity, there cannot be a crime. Opportunity manifests itself by legitimate access, spatial separation, and appearance of legitimacy (Benson & Simpson, 2015). We argue that the extent of opportunity is dependent on the position and the situation. Public sector executives seem to have less opportunity to commit crime when compared to their colleagues in the private sector.

Opportunities to commit financial crime by white-collar people are more available in the private sector. The private sector is dominated by goals. Rules can be bent and possibly broken to achieve goals. Focus is on what you achieve in your work, rather than how you do your work. Dodge (2009: 15) argued that it is tough rivalry that makes people in an organization commit crime:

“The competitive environment generates pressures on the organization to violate the law in order to attain goals.”

The private sector is driven by goals, while the public sector is driven by following rules. Goals cause strain. Agnew (2005) identified three categories of strain: failure to achieve positively valued goals, the removal of positively valued stimuli, and the presentation of negative or noxious stimuli. Strain theory posits that each type of strain ultimately lead to deviance for
slightly different reasons (Agnew, 2005).

The American dream suggests that everyone in America has an opportunity to become monetarily successful. High white-collar crime rates may be attributed to the commitment to the goal of material success as experienced in the American dream. It is caused by an overemphasis on success in exposed assets (Schoepfer & Piquero, 2006), and it is not matched by a concurrent normative emphasis on what means are legitimate for reaching desired goals (Pratt & Cullen, 2005).

In addition to difference in opportunities and rules versus goals, other possible factors to explain the difference in the fraction of convicted white-collar criminals include detection rate, recruitment profile, and perceived compensation.

Next, there is the issue of whether or not different people are attracted to work in the public versus the private sector. Pedersen (2013) found that public interest is positively associated with attraction to public sector employment and negatively associated with attraction to private sector employment.

Reilly (2013) compared public versus private sector pay and benefits in terms of lifetime compensation. Competitive compensation is a key factor in ensuring that the public sector can recruit and retain a high-quality workforce (Sakellariou, 2012). In Norway, there is a general impression that employees on average are compensated well in the private sector compared to the public sector. However, employees in a sector tend to compare their salary with others in the same sector, and compensation variation is smaller in the public sector than in the private sector.

Because our study includes only cases that were of sufficient notoriety or newsworthiness as to garner newspaper coverage, our sample is similar (but not identical) to the high profile white-collar cases investigated by Steffensmeier et al. (2013). Because our study is limited to cases that were successfully prosecuted, our findings may not be generalizable to the broader population of undetected or unprosecuted white-collar cases.
6. Conclusion

This article has explored differences between the public and private sector in terms of the frequency and characteristics of white-collar criminals. Based on a sample of 369 convicted white-collar criminals in Norway from 2009 to 2013, this study showed that the frequency of convicted white-collar criminals in the public sector is substantially lower than in the private sector. Furthermore, white-collar criminals in the public sector are significantly older, and they work in significantly larger organizations.

Future research may explore reasons why there is a discrepancy in the frequency of white-collar criminals in the public versus the private sector. One potential reason is the lack of opportunity since public sector is rule based and full of control mechanisms. Another potential reason is lack of motivation since public sector employees are motivated by the larger picture of public service. Finally, a third reason is lack of detection or a lower detection risk since public sector employees may be subject to less suspicion of financial crime when compared to white-collar individuals in the private sector.
References


Public Personnel Administration, 4, 114-127.


