

Correlations Between Trust and the Organizational Effects of Public Institutions Focusing on Job Commitment & Satisfaction

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Executive Summary

Public institutions, which play a central role in the provision of public services for the citizenry in South Korea, were pivotal in facilitating the economic development and industrialization of the nation in the past. Korea was able to achieve astonishing economic growth amid extreme uncertainty thanks to the efficiency of policy services provided by public institutions strictly controlled according to the Korean government's emphasis on expediency. There is, however, growing societal demand today for more demand-centered, user-tailored public services. As the shortcomings of the traditional supply-centered approach to the exclusive production and delivery of public goods and services are becoming all the clearer, there is growing interest in tailoring public services to demand, as well as in shifting the policy paradigm on the management of public institutions.

The Korean state's tight rein on the innovation and management of public institutions has contributed significantly to national economic development. Yet little research has been done on the effectiveness and validity of the ways in which public institutions and their services are managed. The main reason for the dearth of academic interest in this subject is because the means by which the Korean government managed its institutions have been treated as unchanging givens rather than as appropriate for empirical discussion or analysis. Much of the existing literature on this subject matter indeed focuses merely on issues of internal operation or interrelations of public institutions, giving short shrift to the systems and environments in which these institutions are being run.

This study provides a primary assessment of the mechanisms and policies that the Korean government uses to manage public institutions, which have long been regarded as exempt from the need for innovation. This study surveys public-sector employees on their perceptions of how effectively their public institutions are managed and analyzes how these perceptions influence employee commitment in their workplaces and in their jobs, satisfaction with their

workplaces, and organizational citizenship behavior. This analysis, based on a poll targeting mid-level managers at 119 public corporations and quasi-governmental institutions, reveals what the employees of these public institutions think of the effectiveness of the systems used to manage those organizations (including the management information disclosure requirement (MIDR), the function adjustment (FA) system, personnel increase review (PIR), management performance evaluation (MPE), and the total wage system) and policies (the performance-based annual salary system (PBS), increasing the number of women managers, hiring high-school graduates and candidates from rural areas, and wage peaks (WPs)).

Table 1 Public-sector Employee Ratings: Systems of Management for Public Institutions

(Unit: Points)

System	Necessity	Fairness	Efficiency	Autonomy	Accountability
MIDR	5.3	5.3	4.6	4.3	5.0
FA	5.0	4.7	4.6	3.8	4.2
PIR	4.7	4.4	4.4	3.3	3.8
MPE	4.2	4.1	3.9	3.1	3.8
TWS	4.1	4.0	4.1	3.2	3.6

Note: Participants were asked to rate the systems on a seven-point Likert scale. Scores closer to one indicate negative assessments. Scales closer to seven indicate positive assessment.

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

While the public-sector employees surveyed did not perceive the majority of the management systems as effective, we should especially note that MPE was seen as detrimental to the autonomy of public institutions and that the MIDR, in contrast, was seen as contributing to their accountability. The MIDR indeed garnered the highest score in terms of necessity, whereas less than 50 percent of the surveyed employees viewed MPE and the TWS as necessary. As for fairness, the greatest number of respondents rated the MIDR favorably. FA emerged as the most effective means of management for enhancing efficiency.

Aside from necessity, the MIDR garnered the highest score for contributing to fairness, while MPE garnered the lowest score in terms of contributing to autonomy.

〈Table 2〉 Proportions of Public-sector Employees Rating Management Systems Favorably

(Unit: Percentage)

Criteria	MIDR	FA	PIR	MPE	TWS
Necessity	75.4	67.5	60.6	49.0	45.1
Fairness	76.2	59.7	52.1	46.6	41.3
Efficiency	53.8	55.7	54.1	43.8	42.1
Autonomy	43.6	31.5	23.1	19.0	21.0
Accountability	66.7	44.1	35.1	37.4	31.5

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

The proportion of public-sector employees rating the MIDR negatively was notably smaller than for other systems of management, whereas more public-sector employees rated MPE and the TWS negatively than positively. Specifically, 63.0 percent thought MPE did not enhance the autonomy of their public institutions. The MIDR scored the highest in terms of contributing to fairness.

〈Table 3〉 Proportions of Public-sector Employees Rating Management Systems Negatively

(Unit: Percentage)

Criteria	MIDR	FA	PIR	MPE	TWS
Necessity	9.2	13.4	22.5	32.3	35.9
Fairness	8.4	16.7	28.9	36.9	36.4
Efficiency	24.6	22.0	28.4	39.7	35.2
Autonomy	31.1	41.3	59.5	63.0	58.7
Accountability	16.9	30.8	43.8	42.8	48.7

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

Whereas public-sector employees generally viewed individual systems of management as contributing to the specific aspects of their public institutions, such as fairness and efficiency, they generally dismissed these systems as detrimental to the autonomy and accountability of their workplaces. These results suggest that the majority of the systems for managing public institutions have

been designed mainly to enhance fairness and efficiency, not promote autonomy and accountability.

◁Table 4▷ Public-sector Employee Ratings of Management Policies

(Unit: Points)

Policy	Necessity	Fairness	Efficiency	Autonomy	Accountability
PBS	4.2	3.6	4.0	3.6	3.9
Increasing the number of women managers	4.1	4.0	3.4	3.4	3.5
Hiring high school graduates	4.0	4.1	3.3	3.1	3.3
Hiring candidates from rural areas	4.0	4.1	3.2	3.1	3.3
WPs	3.8	3.5	3.6	3.2	3.2

Note: Participants were asked to rate systems on a seven-point Likert scale. Scores closer to one indicate negative assessments. Scales closer to seven indicate positive assessment.

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

The majority of the public institution management policies reviewed in this study pertain to the wages for public-sector employees and management of institution personnel. In this study, we review the WPs and PBS introduced by the previous administration as well as the specific policies promoting equality at public institutions by increasing the number of women managers, high school graduates and personnel from rural areas. Public-sector employees generally rated PBS and WPs as contributing to efficiency, and the equality-promoting HR policies as contributing to fairness and policy necessity.

PBS was rated as more necessary than other policies. This system was seen as contributing to almost all aspects of public institutions except for fairness. Although there is ongoing discussion on revoking the PBS from public institutions and tying public-sector wages to seniority grades or positions, public-sector employees, in fact, perceive the PBS favorably. Their openness to the PBS could be improved further if it is left up to public institutions to decide, autonomously, whether to introduce and retain such a salary structure.

〈Table 5〉 Proportions of Public-sector Employees Rating Management Policies Favorably

(Unit: Percentage)

Criteria	PBS	WPs	Increasing number of women managers	Hiring more high school graduates	Hiring more rural-area personnel
Necessity	49,8	41,3	45,9	41,0	44,3
Fairness	33,3	33,6	41,0	45,7	49,2
Efficiency	46,9	36,1	23,6	24,6	20,3
Autonomy	34,1	22,6	22,3	20,8	17,5
Accountability	42,6	23,8	26,7	23,6	25,4

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

Public-sector employees were most biased against the WPs, with the proportion of those rating them negatively outnumbering those rating the PBS negatively by 10.3 percentage points. This may be because the survey targeted mid-level managers and working-level officials as opposed to younger employees. Considering that WPs were introduced to ease the transition into the PBS, public-sector employees may still value the latter despite their negative perception of the former.

〈Table 6〉 Proportions of Public-sector Employees Rating Management Policies Negatively

(Unit: Percentage)

Criteria	PBS	WPs	Increasing number of women managers	Hiring more high school graduates	Hiring more rural-area personnel
Necessity	33,9	43,6	31,8	39,2	36,2
Fairness	47,4	50,5	35,7	35,4	33,8
Efficiency	38,0	47,4	48,0	54,6	57,4
Autonomy	44,1	55,7	49,8	60,0	60,7
Accountability	39,3	53,6	47,2	54,6	53,6

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

Public-sector employees also generally rated management policies as adverse to the autonomy and accountability of public institutions because the government's unilateral implementation of these policies and forced monitoring, via MPE and other such processes, on public institution performance do not cohere with the principles of autonomy and accountability.

〈Table 7〉 Correlations Between Trust and the Organizational Effects of Public Institutions

	Organizational commitment	Job commitment	Organizational citizenship behavior	Organizational satisfaction
Trust in organizations	○	○	○	○
Trust in colleagues	○	○	○	○
Trust in policies	○	○	×	×

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

We performed an empirical analysis on the correlations between the organizational effects of public institutions on organizational commitment, job commitment, organizational satisfaction, and organizational citizenship behavior and the three types of trust public-sector employees have in their workplaces (i.e., in organizations, colleagues, and policies). Our analysis confirmed that the level of trust in the government's public institution management policies, in their workplaces, and in their colleagues influenced their commitment in their workplaces and jobs, their organizational citizenship behavior, and their satisfaction with their workplaces. In particular, trust in their organizations and colleagues significantly influenced all four types of organizational effects. Trust in policies, on the other hand, significantly influenced organizational commitment, but not organizational satisfaction and citizenship behavior. This may warrant a conclusion that the government's policies and systems of management may fail to exert significant effect on organizational citizenship behavior and satisfaction, which depend more on the idiosyncratic factors of individual employees. However, trust in policies may still directly and indirectly influence public-sector employee conduct and performance. Our analysis seems to support the necessity of rational reforms in government policies on managing

public institutions. The link between trust in policies and organizational commitment, in other words, suggests that the government policies and systems of public institution management should no longer serve as mere mechanisms of control, but rather as instruments of support for enhanced performance by promoting autonomy and accountability.

Despite the enactment of statutes like the Act on the Management of Public Institutions (AMPI, 2007) that ostensibly promote the autonomy and accountability of public institutions, public-sector employees in general perceive the policies and systems of management negatively, particularly as means of control. One way to overcome this contradiction between autonomy and preemptive control is to differentiate the management approaches by type of public organization, i.e., between those that would benefit more from enhanced autonomy, on the one hand, and others that would benefit more from rigorous and preemptive control. It is important, in other words, for the Korean government to outgrow the insistence on applying the same standard of management irrespective of institution type and size, which vary from large public corporations listed on the stock market to small public institutions providing services on commission from the government.

The MPE, at the center of the demand for reform today, should also undergo transformation. Although performance assessment, by definition, is meant to gauge the outcomes of organization decisions made and actions performed in environments that allow for organizational autonomy and accountability, the MPE today is largely used to keep public institutions under government control. Although assessment can be effectively rendered only with organizations that independently decide how best to spend their given resources, the current way in which the MPE is used only increases public-sector employee resentment. The situation cannot be improved simply by changing the assessors, the indicators of assessment to be used, the targets of assessment, or the process of assessment toward greater simplicity. Rather, the fundamental concept of assessment ought to change in an innovative way.

For the Korean government to ensure effective management of public institutions, it must achieve a transformational innovation of the systems and policies it uses so that public institution autonomy and accountability is enhanced, as stated in the AMPI.

I

Research Background

Public institutions, which play a central role in the provision of public services in South Korea, were pivotal in facilitating the nation's economic development and industrialization. Korea was able to achieve astonishing economic growth amid extreme uncertainty thanks to the efficiency of policy services provided by public institutions that were strictly controlled according to the Korean government's emphasis on expediency. There is, however, growing societal demand today for more demand-centered, user-tailored public services. As the shortcomings of the traditional supply-centered approach to the exclusive production and delivery of public goods and services are becoming all the clearer, there is growing interest in tailoring public services to demand, as well as in shifting the paradigm on the policy of managing public institutions.

During the heyday of economic development, public institutions produced and provided public services not on a competitive market where consumers had choice, but rather in a structure that ensured a monopoly, thus prioritizing efficiency over user-friendliness. It has been the traditional stance of the Korean government to emphasize the expediency of service production and delivery and preventing wastefulness over effectively catering to the diverse needs of the people. This heavy-handed approach to the management of public institutions is evident in the various programs and policies that the Korean government has introduced over the years—including the TWS, various remuneration structures, the PIR requirement, and the MPE.

Although the Korean government successfully established a modern public service apparatus and significantly facilitated economic development as a result,

the supply-centered approach to public services has also engendered the dearth of detailed research and evaluation on the effectiveness of public institution management policy. Underlying this lack of research interest has been the strong and normative belief that such strict control and monitoring against possible waste of manpower and financial resources was the most direct and effective mechanism for ensuring efficiency in government workings. Researchers have thus felt little need to analyze, empirically, whether actual government practices of monitoring and control actually contribute to public institution efficiency and performance. Much of the literature that exists on this subject therefore treats government systems of control as constant givens rather than as appropriate for empirical discussion and analysis. The existing literature also focuses mostly on internal operation and interrelations of public institutions, discussing little of the overall system or environment of control in which these public institutions operate.

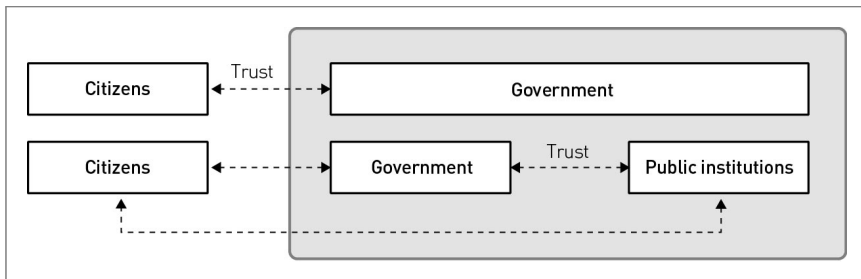
This study attempts to redirect researchers' attention to the very practices and policies with which the Korean government manages public institutions by providing a primary assessment of their effectiveness. Public institutions have long been shielded against the demand for innovation, and it is high time that we revisit the performance of the control-centered policies of their management. We need to question the fundamental basis of the system that manages public institutions as part of our efforts to achieve genuine reform and innovation in government service. In the intermediate to long term, we need to increase research on verifying how and whether the traditional approach to management has affected the performance of public institutions. This, in turn, will strengthen the Korean government's policymaking capability toward comprehensively reviewing and reforming the practices and policies involved in their management.

First, we sought to assess the effectiveness of governmental management of public institutions by measuring correlations between public-sector employee trust in such control and their perceptions of the necessity or acceptability of it. While there are a number of reasons for paying attention to public trust in authority, the most critical and pressing one is the steady decline in such trust in Korea. According to the OECD's report on trust in government worldwide (2017a), Korea ranks 40th of the 43 countries surveyed. Trust, a vital aspect of social capital that decides the maturity and strength of civil society, is quite

low in Korea.

Public trust in government authority may be subject to trust in particular governmental organizations or political leaders. Public institutions, which deal directly with citizens through the benefits and services they provide, also form an important aspect of this trust. Public institutions serve a variety of industries, perform a variety of institutional functions, and have a diversity of expertise among their staff, but they all come in direct contact with the general public. Korean society's alarmingly low trust in the government, in other words, reflects its disappointment in the mounting debt and lax management of public institutions that have been revealed over the years.

[Figure I-1] Ownership/Representation of the Public Sector and the Basic Structure of Trust



Factors behind the level of public trust in public institutions include trust in the policies and programs with which the government manages and oversees those institutions and trust in the personnel working for them. The higher the level of trust in the policies and programs of management over public institutions, the greater the likelihood of improvement in the services and benefits provided by those institutions. In order to improve this trust, it is important to intensify the employees' commitment in their workplaces and jobs to motivate them to improve the quality of services they provide. Financial compensation for strengthening public-sector employee organizational and job commitment at public institutions is limited, however. Although the literature on organizational and human resources affirms the effectiveness of a wide range of compensation and incentives, these resources are significantly limited in comparison to the

private sector. It is therefore critical to improve the public's trust in the government policies on managing public institutions.

In this study, we provide an empirical analysis, based on a survey of the opinions of working-level officials and mid-level managers at public institutions with a good grasp of the government's management policies and systems, of correlations between those policies and systems and the organizational effects on employees, including their satisfaction and commitment in the workplace. Through analysis of public-sector employees' perception of the necessity and acceptability of, and trust in, these policies and systems, we seek to delineate implications for future policymaking toward reforming and improving the management of public institutions in Korea.

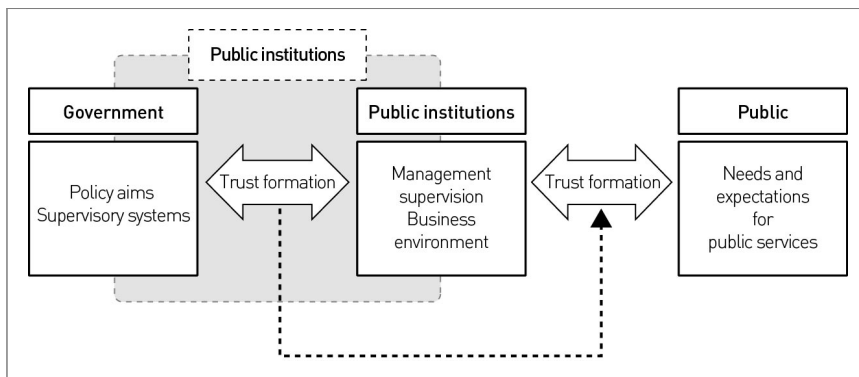
II

Policy & Theoretical Backgrounds

1 Policy Background

To restore the public's trust in the Korean public sector and improve the latter's competitiveness, it is crucial to strengthen the internal trust and motivational structure of public-sector employees. The mantra "Happy employees make happy customers" stresses the importance of enhancing internal satisfaction to increase customer trust and satisfaction. The major factors of analysis on the state of motivation and trust within public institutions should therefore include not only the variables of internal and organizational management, but also the external policy variables imposed by the government. The government's aims and practices affect not only the management of public institutions and the relations between their employees, but also the main concerns of public institutions and the working conditions for individual workers.

[Figure II-1] Main Sources of Trust in the Public Sector



2 Types of & Prerequisites for Trust

Researchers generally understand trust in government as “a basic evaluative attitude toward government” and as encompassing both trust in government as an institution and trust in powers that make up government in its current state (Hardin, 2000). The OECD (2017a) acknowledges that trust is a multifaceted concept whose subjective meaning varies. Yet its report observes specific ways in which trust in government influences policy outcomes, and stresses the importance, for governments and public institutions, of building trust. Korean’ trust in their government was 34 percent in 2015, 10 percentage points up from the 24 percent observed in 2007. However, by 2016, that level of trust had fallen back to 24 percent. Although Koreans’ trust in government as an institution rose in general, they suffered a serious crisis of confidence in the powers running that institution in 2016, which must have been reflected in the drastically lowered trust score of that year. According to the Gallup polls from 2007 and 2015, the average level of trust in government in OECD member states dropped slightly, by two percentage points, from 45 percent to 43 percent during that time. According to the Pew Research Center, Americans’ trust in government had plummeted drastically from 77 percent in 1957 to 19 percent in 2015.

Trust is an important topic of interest in various disciplines, including political science, economics, sociology, and psychology, and trust in organizations, such as corporations and public institutions, has been researched extensively in the disciplines of management and administration. These latter disciplines, occupied with improving the efficiency and performance of business and public organizations, are interested in turning organizational trust into a management instrument that can strengthen organizational performance. There are, accordingly, a great—and increasing—number of empirical studies on the correlation between organizational trust and diverse forms of performance in these fields. With early studies having affirmed the effectiveness of organizational trust in promoting performance, more and more researchers have begun to explore the causes and mechanisms behind the formation of organizational trust within organizations.

A. Categorization of Organizational Trust by Object

While organizational trust can be categorized in multiple ways, empirical studies tend to categorize it by the object of trust: interpersonal and non-interpersonal. The former refers to the trust that the members of an organization develop in their fellow members. Mayer et al. (1995), a study frequently cited in research on organizational trust, defines trust as the willingness of the parties involved to be vulnerable to one another's actions based on mutual expectations.¹⁾ This definition represents the prevalent view of trust as something that arises between individuals. Interpersonal trust in organizational settings can be subdivided between trust in superiors and trust in peers. The literature on interpersonal organizational trust mostly focuses on trust in superiors. While there are a few studies that focus on trust in peers, most studies still focus on trust in superiors mainly because of the practical motivation to foster organizational trust as an instrument for business.

Non-interpersonal trust is trust in the organization itself, and is the term used in Kim (2007a), Kim (1999), and other such studies to refer to organizational

1) Quoted in Bae, 2005, p. 69.

trust. Interpersonal trust is easier to conceptualize and understand as it concerns human holders of trust who have will and personality. What exactly is the recipient or target of organizational trust, by comparison, remains relatively ambiguous. Oh et al. (2014, p. 380) argues that this form of trust consists in members' confidence in, and support for, the organization to which they belong. The authors further argue that interpersonal trust in peers and superiors has emotional and personal attributes, while organizational (non-interpersonal) trust has rational, impersonal, managerial, and institutional attributes. Rah (2002, p. 26) defines organizational trust as "a psychological state in which members of an organization maintain, comfortably, positive expectations regarding the organization's policies on employment relations, remunerations, and personnel, the fairness of the organization's decisions, the participatory decision-making process, and the atmosphere of the organization." This understanding implies that the sources of organizational trust lie in the fairness and democracy of the policies and institutions supporting it, and that organizational trust in the narrow sense can have institutional and managerial effects.

Numerous studies approach organizational trust as a matter of trust in peers, superiors, and organizations themselves. As Ju (2012, p. 154) argues, the level of trust in organizations, superiors, and peers can vary widely from member to member. Oh et al. (2014, p. 398), through an empirical analysis of the correlation between organizational trust and accountability, concluded that, while trust in peers positively affects member accountability, trust in superiors and organizations fails to show a significant effect.

There are a few studies that offer quite distinct categories of trust as well. Yang and Bae (2013), for example, surveyed the state of member trust in labor unions and analyzed the effect of such trust on member commitment in their workplaces and willingness to cooperate with the management. As research accumulates on trust in peers, superiors, and organizations, the range also increases of the possible objects of trust that can be researched.

B. Formative Factors of Organizational Trust

It is natural that there is much practical interest in fostering and strengthening

organizational trust, considering the positive effects it exerts on members and organizations. There is, unsurprisingly, an extensive body of research on its formative factors and prerequisites.

A consensus found in this literature is that trust is largely dependent on the characteristics of the objects of trust. A member's trust in peers and superiors, specifically, is highly dependent on other members' judgment of the peers and superiors concerned. Zucker (1986) regards the social characteristics as an important base of trust, along with processes and institutions.²⁾ Character-based trust depends on the honesty, consistency, competency, professionalism, and other such characteristics of the objects of trust (Yang and Bae, 2013, p. 247). In an analysis on the formative factors of organizational trust in police officers (in peers, superiors, and the police organization itself), Ju (2012, p. 170) also demonstrates that the personal characteristics of superiors and the characteristics of the organization as statistically significant factors fostering trust. The author identifies integrity, competency, and change-oriented leadership as the characteristics of superiors that engender trust. Here, competency refers to the set of skills and capabilities needed to perform one's job; integrity, to compliance with the principles and values of the organization; and change-oriented leadership, to a style of leadership that encourages subordinates to endow their duties with meaning and value.

Trust in organizations is similarly dependent on the characteristics of organizations. These include the security of employment (McCauley and Kuhnert, 1992; Brehm and Rahn, 1997; Kim and Park, 1999); democracy within organizations (Mayer et al., 1995; Won and Park, 2001); fairness (McCauley and Kuhnert, 1992; Park et al., 1999); the effectiveness of communication (Whitener et al., 1998; Mayer et al., 1995; Won and Park, 1999; Lee, 1999); and participatory nature of decision-making (Brehm and Rahn, 1997; Kim and Park, 1999; Lee, 1999).³⁾

2) Quoted in Yang and Bae, 2013, p. 247.

3) Quoted in Rah, 2002, p. 39.

3 Effects of Organizational Trust

A. Job Satisfaction

Park et al. (2013, p. 6) argues that job satisfaction is important to the effectiveness of organizations as it enhances productivity and reduces employee turnover and delinquency. While job satisfaction is not an outcome variable, it is closely related to trust in theory and also directly influences conduct on the job, including employee decisions whether to move to another organization or skip work. As such, it has been treated as a significant topic in research.

While the majority of studies report a positive correlation between organizational trust and job satisfaction, the variable is shown in some studies as bearing no significant correlation to certain types of trust. Gi and Gu (2014, p. 249), for example, show that trust in superiors bears little significant correlation to members' job satisfaction.

B. Organizational Commitment

Allen and Meyer (1990) subdivides organizational commitment into emotional, sustained, and normative forms of commitment.⁴⁾ According to these authors, emotional organizational commitment involves emotional attachment to, or identification with, the given organization. Sustained commitment involves the will to remain in the same organization and the cost members have to pay for departing it. Normative commitment involves taking responsibility for the goals and values of the given organization and the willingness to commit oneself to them. Seong and Kim (2015, p. 94) follow Allen and Meyer's subcategorization of organizational commitment and suggest that the phenomenon features satisfaction members take in their membership, members' perception of how good their organization is as a workplace, and the association members make between their personal values and the values pursued by their organization.

4) Quoted in Seong and Kim, 2015, pp. 93–94.

C. Organizational Citizenship Behavior

Here “citizenship” does not refer to the citizens of a national political community, but rather the members of a given organization who are expected to conduct themselves in a citizen-like manner. Shin and Kim (2015, p. 2) defines organizational citizenship behavior as consisting of extra-duty conduct that can positively influence the organization. The concept of extra-duty conduct refers to actions that members take spontaneously without being required by pay package or job description.

Examples of organizational citizenship behavior include civic virtue, sportsmanship,⁵⁾ courtesy, conscientiousness, and altruism (Ju and Seok, 2011, pp. 1940-1941).

D. Organizational Performance

The existing literature refers to organizational effectiveness as the effects of organizational trust on the mindset, attitude, and behavior of individual members. Job satisfaction, organizational commitment, and organizational citizenship behavior discussed so far are subtypes or examples of organizational effectiveness. Most studies on this subject confine their attention to organizational effects on individual members only, and seldom pay attention to how these effects lead to changes in organizational performance (e.g., in terms of revenue and outside evaluations). One reason for the dearth of studies on organizational effects on organizational performance may be because it is difficult to ascertain, with accuracy, the exact causal relations involved in how positive organizational effects on individual members lead to organization-wide improvements. Another major reason may be the difficulty of gathering sufficient information on these effects.

5) Bae (2007, p. 475) interprets sportsmanship to mean a dislike of unfairness.

III

Major Management Policies & Systems

The Korean government's main policies and systems for managing public institutions are geared toward ensuring effective monitoring against lax management practices and thereby enhancing the efficiency of public services provided. Well-known examples include the public institution designation system, the management information disclosure requirement (MIDR), personnel increase review (PIR), the total wage system (TWS), and management performance evaluation (MPE).

1 Public Institution Designation System

“Public institution” refers to an organization founded and managed with investment or fiscal support from the government. Specifically, in order to qualify as a public institution, an organization must satisfy all the criteria enumerated in Paragraph (1), Article 4, of the AMPI and be designated as such by the Minister of Strategy and Finance.⁶⁾ Paragraph (1), Article 4, of the AMPI defines the legal grounds and main parties involved in the establishment of individual institutions and the types and amounts of fiscal support available from the government and other public institutions.

Article 6 of the same Act provides a detailed procedure by which public

6) MOSF and KIPF, *Handbook on Public Institutions Today 2016 (Current Status Edition)*, 2016, p. 17.

institutions are designated. Pursuant to Paragraph (1), the Minister of Strategy and Finance must newly designate, revoke designations of, and alter designation categories of public institutions within the first month following the start of each fiscal year. The Minister may revoke designation or alter designation categories of public institutions due to the necessity for new designation (Paragraph (1), Article 4),⁷⁾ privatization, merger/dissolution/separation, and/or the amendment or abolition of the AMPI. Organizations designated as public institutions become subject to the Ministry of Strategy and Finance (MOSF)'s supervision pursuant to the AMPI. These institutions are required to comply with the requirements of management information disclosure (Article 11), consolidated information disclosure (Article 12), customer satisfaction surveys (Article 13), FA (Article 14), and management innovation (Article 15), among others.

2 Management & Consolidated Information Disclosure

A. Management Information Disclosure

The MIDR is intended to ensure effective and transparent disclosure, to the public, of how public institutions are being managed on its behalf (Article 11, AMPI). This is meant to ensure transparency and public supervision of public institutions and ultimately to enhance management efficiency. All major items of information on public institutions, including management goals, budgets and operating plans, settlements of accounts, boards of directors and personnel, must be disclosed.

B. Consolidated Information Disclosure

Article 12 of the AMPI requires that the Korean government list the criteria

7) National Law Information Center, *Act on the Management of Public Institutions* (Law No. 14461) (retrieved July 24, 2017).

for consolidated information disclosure by public institutions on the online system for management information disclosure, www.alio.go.kr. Public institutions are required to publish and disclose consolidated information so that members of the public and the press need not visit all the different websites to find such information on public institution management. The ease of accessing a comprehensive range of information, the hope goes, will facilitate the external monitoring of public institutions. This legal requirement is thought to have improved the transparency and accessibility of information, and the system also enables the public to compare different institutions.

The effectiveness of this legal requirement lies in the integrity of the information disclosed. The MOSF thus appoints personnel to be in charge of keeping records and checking and verifying the accuracy of information published by public institutions, and ensuring quality.⁸⁾ It penalizes and disciplines public institutions that have failed to ensure the integrity of the information they publish, through neglect, dishonesty, or disingenuity, or a failure to update the information published.

MIDR is an indirect form of control which the government uses to ensure supervision of public institutions. However, the general public, which is the ultimate owner of public institutions, deserves to have basic information about these enterprises just as all shareholders are entitled with private companies in which they invest.

3 Personnel Increase Review (PIR)

The Korean government strives to prevent wastefulness in the hiring and management of personnel at public institutions by keeping strict control over the number of employees.⁹⁾ Public institutions, like ministries and departments, also have strong internal incentives for increasing personnel and budgets. The

8) KIPF Research Center for State-Owned Entities, *Understanding How the Korean Government Manages State-Owned Entities: Institutions (Vol. 2)*, 2016, p. 17; quoted in MOSF, *Guidelines for the Development of Consolidated Publication Manuals and Electronic Documents by Public Institutions*, 2016.

9) Park, H., *Hiring by Public Institutions: Current Status and Advice for Future Improvement*, KIPF, 2013, p. 14.

Korean government has thus implemented Chapter 3 (Articles 8 through 13) of the Guidelines for the Organization and Personnel of Public Institutions, pursuant to Paragraph (1), Article 50, of the AMPI, laying down the basic principles and procedure for retaining appropriacy in the number of personnel.

Public institutions in Korea therefore increase their personnel to the limits predefined by the MOSF except in certain circumstances that warrant exceptions. These institutions consider not only the total number of employees to be hired, but also the distribution of positions, in deciding whether to hire. There are also other criteria that must be taken into account. First, the creation of new posts for the purpose of improving the financial and other forms of remuneration for employees in higher positions is forbidden in principle. Personnel for the posts that no longer serve as extensive functions as in the past due to change in policy priorities and privatization are to be reassigned to other posts or laid off, with only the necessary and core personnel retained. Public institutions are also required to consult the MOSF at least once every three years regarding the appropriateness of the number of personnel they retain. The majority of public institutions annually request permission to increase the number of their personnel as the scope of projects they undertake expand.

4 Total Wage System (TWS, i.e., Limit on Raising Wage Levels)

The MOSF retains strict control over the total amount of wages paid to employees of public institutions, in addition to keeping checks on the number of personnel in them, with the goal of minimizing budget waste and ensuring fiscal sustainability.¹⁰⁾ This TWS encompasses all the spending items associated with accounts on labor costs, including all the parts of earned income for the executives and employees of public institutions (aside from those hired through outside institutions) recognized under income tax law. Public institutions are required to respect the wage ceilings imposed by this TWS in determining and providing remuneration for their employees.

10) Park, 2013, p. 15.

The MOSF notifies public institutions of the ceilings on increases to total wage through its *Guidelines for Budget Preparations for Public Corporations and Quasi-Governmental Institutions*, and monitors institutional compliance through MPEs.

5 Management Performance Evaluation (MPE)

A. Overview

Pursuant to Article 48 of the AMPI, the MOSF is to evaluate the management and performance of public corporations and quasi-governmental institutions every year toward ensuring that the results are reflected in bonus payouts and personnel decisions and enhancing the autonomy and accountability of public institutions. The ostensible purpose of the MPE, in other words, is to strengthen the system of autonomous and accountable management at public institutions and enhance their efficiency and fairness of management by providing expert advice on matters requiring changes or improvement.

6 Function Adjustment (FA)

The MOSF is required, under Article 14 of the AMPI, to keep checks on the appropriateness of the functions served by public institutions, plan for the merger, readjustment and privatization of those functions, and readjust the functions of public institutions according to such plans. Public institutions face the temptation to expand their management organizations in areas not directly involved in undertaking specific policy functions, retain organizations whose functions have expired, and/or undertake projects and functions overlapping with those of other institutions. It is therefore necessary to monitor and readjust these functions in light of changes in social and economic conditions at large, in the public's demand for services from those institutions, and the role and structure of the government. The readjustment of such functions is thus an important

process designed to ensure the efficient reallocation of resources toward enhancing institutional efficiency and productivity and improving the quality of public services.

Function adjustment hence involves eliminating the scope of functions that public institutions no longer effectively (or exclusively) serve or reducing them; merging functions of different institutions together and thereby eliminating overlap; and ensuring prudent use of fiscal resources.

FA proceeds through four stages. First, the MOSF selects the institutions whose functions are to be adjusted (via merger with others, readjustment, or privatization) through discussion with the heads of candidate institutions. Second, the MOSF establishes FA plans through deliberation of the Public Institution Management Committee and reports the plans to the appropriate standing committees in the National Assembly (Article 14.1, AMPI). Third, the heads of institutions chosen for FA execute the MOSF's plans and submit reports on the outcomes of execution to the Minister of Strategy and Finance (Article 14.2, AMPI). Finally, the MOSF analyzes the reports to monitor and confirm the execution of FA plans, and may require the concerned institutions to perform additional actions based on deliberation by the Public Institution Management Committee (Article 14.3, AMPI).

IV

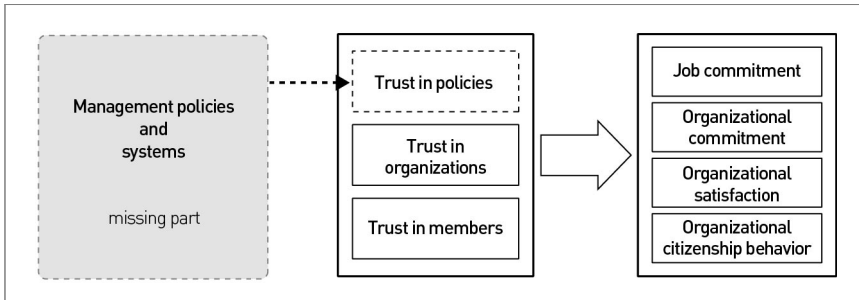
Model of Analysis & Opinion Poll

1 Frame of Analysis

The main frame of analysis for the effect of trust on the performance of public institutions is provided in Figure IV-1. As the figure shows, trust in public institutions is subdivided into (1) trust in the government's management systems and policies, (2) trust in the policies and systems of the given organizations, and (3) trust in fellow institution members. The correlations between these subtypes of trust, on the one hand, and organizational effects, including job commitment, organizational commitment, organizational satisfaction, and organizational citizenship behavior, on the other, are examined. Accordingly, we first polled the opinions of public-sector employees working at public institutions regarding their trust in the government's management systems and policies. Second, we traced how the diverse forms of this trust were correlated to employee organizational commitment, job commitment, and organizational satisfaction.

Note that organizational citizenship behavior, a topic increasingly addressed in the recent literature on organizational behavior and effects, is also analyzed as a key dependent variable in our study. Another important characteristic of our analysis is that we add public-sector employee trust in government systems and policies to the explanatory variables. In this chapter, we provide a summary of the opinion poll on the public-sector employees working at public institutions in Korea, and follow it up with an analysis of the correlations between public-sector employee trust and organizational effects on public institutions.

[Figure IV-1] Frame of Analysis



2 Opinion Poll

A. Overview

In order to determine whether and how strongly workers in the Korean public sector trust in the Korean government's systems and policies for managing public institutions, we conducted an online opinion poll on personnel in charge of management performance evaluation at 119 public institutions subject to the MOSF's MPE requirement in 2016. We limited the range of personnel participating in the poll because we wanted to survey the opinions of those who presumably possess a good grasp of the government's management systems and policies.

Our poll targeted 1,775 mid-level managers in charge of checking their organizations according to MPE indicators at 119 public corporations and quasi-governmental institutions and lasted from September 11 to 22, 2017. E-mails were sent to the 1,775 target personnel, inviting them to answer an online questionnaire. Of the e-mailed personnel, 1,005 checked their e-mails and 610 completed the questionnaire, giving our poll a response rate of 34.4 percent (or 60.1 percent, if we confined our sample to the 1,005 officials who read the e-mail). Of the 119 institutions targeted, three had no participants, but at least one targeted person at each of the remaining 116 institutions participated

(bringing the institutional response rate to 97.4 percent).

The questionnaire consisted of requesting participants to rate major government systems and policies of management, asking participants about their trust in government policies, organizations and fellow members, and other queries necessary to determine the minimum demographic information on participants. Questions for rating and perception provided options on a seven-point Likert scale.

B. Organizational Characteristics

Of the 119 institutions targeted, 116 had at least one participant in our poll. All of the 30 market-oriented and quasi-market-oriented public corporations targeted by us had participants, while three out of the 89 quasi-governmental institutions had no participants. As for the distribution of participants by institution type, 148 were employees of public corporations and the remaining 462 were employees of quasi-governmental institutions.

C. Participant Characteristics

Of the 610 participants, 24.3 percent (148) were employees of public corporations and 75.7 percent (462) were employees of quasi-governmental institutions. Broken down by gender, 89.0 percent (543) of participants were male and 11.0 percent (67) female. Of the participants, 30.7 percent (187) had worked at the given organization for 21 years or more; 22.6 percent (138) for 16 to 20 years; and 23.4 percent (143) for 11 to 15 years. In other words, the vast majority (76.7 percent) were senior personnel with at least 10 years of work experience. The majority of surveyed personnel were thus heads of departments and other such mid-level managers in Civil Service Grade 2 (26.2 percent), 3 (40.2 percent) and 4 (18.4 percent), who presumably possess a good understanding of the government's policies on managing public institutions.

V

Poll Results & Empirical Analysis

The findings of our opinion poll on perceptions of the Korean government's policies and systems for managing public institutions are described below, along with the results of our empirical analysis on how public institution members' trust in policies, organizations, and fellow members influence the organizational effects of public institutions.

1 Perceptions of Government Policies & Systems

In addition to having the poll participants assess the necessity of the government policies and systems for managing public institutions, we also asked them to rate those policies and systems in terms of their contribution to fairness, efficiency, autonomy, and accountability of their institutions.

A. Assessment of Main Systems

Our poll revealed considerable diversity in public-sector employee opinions regarding the different governmental systems for managing public institutions, i.e., the personnel increase review (PIR), the total wage system (TWS), the management performance review (MPE), the management information disclosure requirement (MIDR), and function adjustment (FA). Whereas poll participants generally perceived the MIDR and FA favorably, they remained neutral or cautious on the other systems that involve direct government control or *a posteriori* checks, such as PIR, MPE, and the TWS.

〈Table V-1〉 Perceptions of Government Systems for Managing Public Institutions
(Unit: Points)

System	Necessity	Fairness	Efficiency	Autonomy	Accountability
MIDR	5.3	5.3	4.6	4.3	5.0
FA	5.0	4.7	4.6	3.8	4.2
PIR	4.7	4.4	4.4	3.3	3.8
MPE	4.2	4.1	3.9	3.1	3.8
TWS	4.1	4.0	4.1	3.2	3.6

Note: Participants were asked to rate the systems on a seven-point Likert scale. Scores closer to one indicate negative assessments. Scales closer to seven indicate positive assessment.
Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

As for which system or policy of the Korean government contributed the most to the fairness of public institutions, the MIDR garnered the highest score, while the TWS and MPE garnered rather low or cautious ratings. Poll participants were notably more favorably inclined to the MIDR than other systems, while most systems were assessed positively in terms of their functionality. Yet participants displayed some reservation with respect to the TWS and MPE. Whereas the MIDR received the highest score for contributing to fairness, the TWS received the lowest score. The MIDR again scored highly, along with FA, in terms of contributing the efficiency of management, while the MPE received the lowest score in this regard. As for the autonomy of public institutions, poll participants rated almost all the systems negatively, except for the MIDR. They especially rated the MPE poorly. As for the accountability of public institutions, poll participants again rated the MIDR more favorably than other systems, while the TWS received the lowest score in this regard.

In sum, public-sector employees in Korea are favorably disposed to the MIDR and are not so sure of the effectiveness of the TWS and MPE. This result suggests that the MIDR could be used to enhance the efficiency of social supervision on public institutions insofar as the public is encouraged to use the information provided under the MIDR to monitor the activities and performance of those institutions. Note that public-sector employees also rated FA relatively favorably in terms of necessity and support for the functional improvement of public institutions.

Poll participants are rather cautious and reserved regarding the TWS. This is not only because the participants themselves are directly affected by it, but also because they do not think programs like the TWS help advance the autonomy and accountability of public institutions. The TWS and PIR strictly predefine and control the amounts of resources at the disposal of public institutions, thus placing significant constraints on decision-making by these institutions. The fact that most poll participants rated PIR, the TWS, and the MPE as not helpful to the autonomy and accountability of public institutions suggests that these systems of management, which severely regulate both *a priori* and *a posteriori* activities of public institutions, contradict the ostensible objectives of enhancing their autonomy and accountability.

1) MIDR

More poll participants rated the MIDR as helpful to the autonomy and accountability of public institutions—the underlying aims of both the *OECD Guidelines for Corporate Governance of State-Owned Entities* and the AMPI—than unhelpful. The fact that two-thirds of poll participants assessed the MIDR positively strongly suggests that the requirement has indeed been effective in ensuring accountability. It is also important to note that besides rating the MIDR favorably in terms of necessity, poll participants also viewed it positively in other aspects as well. This generally positive assessment suggests that most participants are in agreement with the value embodied by the MIDR and are convinced that the MIDR works as intended, at least better than other systems.

〈Table V-2〉 Perceptions of the MIDR

(Unit: Percentage)

MIDR contributes to:	No	Neutral	Yes
Necessity	9.2	15.4	75.4
Fairness	8.4	15.4	76.2
Efficiency	24.6	21.6	53.8
Autonomy	31.1	25.2	43.6
Accountability	16.9	16.4	66.7

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

2) FA

The proportion of poll participants rating FA negatively also tended to be smaller than for other systems. In particular, the majority of poll participants rated it as contributing to the accountability of public institutions, likely because the government's pressure on public institutions to readjust their functions opens up greater room for accountable decision-making than other preemptive means of control.

〈Table V-3〉 Perceptions of FA

(Unit: Percentage)

FA contributes to:	No	Neutral	Yes
Necessity	13.4	19.0	67.5
Fairness	16.7	23.6	59.7
Efficiency	22.0	22.3	55.7
Autonomy	41.3	27.2	31.5
Accountability	30.8	25.1	44.1

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

3) PIR

Poll participants generally assessed the PIR as not helpful in advancing the autonomy and accountability of public institutions. As was the case for the TWS, there were more than twice as many participants who rated the PIR's impact on the autonomy of public institutions negatively than those who rated it favorably. However, more participants saw the PIR as contributing to fairness and efficiency than not.

〈Table V-4〉 Perceptions of the PIR

(Unit: Percentage)

PIR contributes to:	No	Neutral	Yes
Necessity	22.5	17.2	60.6
Fairness	28.9	19.0	52.1
Efficiency	28.4	17.5	54.1
Autonomy	59.5	17.4	23.1
Accountability	43.8	21.1	35.1

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

4) MPE

The MPE was also rated more negatively than positively. The proportion of participants rating the MPE as not helpful to the autonomy of public institutions was almost 3.3 times greater than that of participants rating it as helpful. Only 19.0 percent of participants viewed it as favorable to the autonomy of public institutions, making it the most negatively-assessed system. This judgment seems to reflect the lack of an evaluative environment that grants public institutions sufficient *a priori* autonomy and that faults public institutions for underperformance or wastefulness through *a posteriori* evaluation. Although the MPE, too, was rated as more necessary than unnecessary, only 49.0 percent of poll participants felt this way, contrasting the 60 to 75 percent of poll participants who rated other systems as necessary. As with the other systems, the MPE was also rated relatively favorably in terms of contribution to fairness and efficiency.

〈Table V-5〉 Perceptions of the MPE

(Unit: Percentage)

MPE contributes to:	No	Neutral	Yes
Necessity	32,3	18,7	49,0
Fairness	36,9	18,5	46,6
Efficiency	39,7	16,6	43,8
Autonomy	63,0	18,0	19,0
Accountability	42,8	19,8	37,4

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

5) TWS

Poll participants were overwhelmingly dismissive of any contribution of the TWS to the autonomy and accountability of public institutions, with more than twice as many participants rating its impact on autonomy negatively than those who rated it positively.

〈Table V-6〉 Perceptions of the TWS

(Unit: Percentage)

TWS contributes to:	No	Neutral	Yes
Necessity	35,9	19,0	45,1
Fairness	36,4	22,3	41,3
Efficiency	35,2	22,6	42,1
Autonomy	58,7	20,3	21,0
Accountability	48,7	19,8	31,5

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

6) Comparison

While poll participants were mostly dismissive of the government systems for managing public institutions, we should note that the MPE received the most negative reviews, while the MIDR received relatively high assessments in terms of effectiveness. Whereas the MIDR was rated as the most necessary system of management, relatively speaking, less than 50 percent of poll participants perceived the MPE and the TWS as necessary. As for fairness, the MIDR again emerged with the highest score, while FA was rated as the most effective when it came to efficiency.

Aside from necessity, participants also rated the MIDR as contributing to fairness. The MPE, in the meantime, had the smallest proportion of participants rating it as helpful to enhancing the autonomy of public institutions.

〈Table V-7〉 Proportions of Poll Participants Rating Management Systems Favorably

(Unit: Percentage)

Contributes to:	MIDR	FA	PIR	MPE	TWS
Necessity	75,4	67,5	60,6	49,0	45,1
Fairness	76,2	59,7	52,1	46,6	41,3
Efficiency	53,8	55,7	54,1	43,8	42,1
Autonomy	43,6	31,5	23,1	19,0	21,0
Accountability	66,7	44,1	35,1	37,4	31,5

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

In general, relatively few poll participants viewed the MIDR in a negative light, while the majority of poll participants were negatively biased against the MPE and the TWS. The question of whether the MPE contributed to the autonomy of public institutions received the most negative answers (63.0 percent), while the question of whether the MIDR contributed to fairness received the fewest.

〈Table V-8〉 Proportions of Poll Participants Rating Management Systems Negatively

(Unit: Percentage)

Contributes to:	MIDR	FA	PIR	MPE	TWS
Necessity	9.2	13.4	22.5	32.3	35.9
Fairness	8.4	16.7	28.9	36.9	36.4
Efficiency	24.6	22.0	28.4	39.7	35.2
Autonomy	31.1	41.3	59.5	63.0	58.7
Accountability	16.9	30.8	43.8	42.8	48.7

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

An overarching trend observed in the poll is that participants generally rated the management systems favorably in terms of their effect on fairness and efficiency, but were also dismissive of these systems in terms of whether they helped advance the autonomy and accountability of public institutions. The Korean government's systems of management may help enhance the fairness and efficiency of public institutions, but their design seem to fundamentally lack consideration of the need to strengthen the autonomy and accountability of public institutions.

B. Assessment of Main Policies

Our poll reveals significant diversity in how public-sector employees regard the various policies that the Korean government has introduced to manage public institutions, such as the performance-based salary system (PBS), increasing the number of women managers, hiring high school graduates and personnel from rural areas, and wage peaks (WPs). It should be noted, however, that they are quite accepting of the PBS, contrary to how the recent controversy over it would

have us believe. While public-sector employees remained neutral on the necessity of most of these policies, they generally rated them as unhelpful with respect to efficiency, autonomy, and accountability, with fairness the only perceived benefit.

〈Table V-9〉 Assessment of Wage & Personnel Policies

(Unit: Points)

Policy	Necessity	Fairness	Efficiency	Autonomy	Accountability
PBS	4.2	3.6	4.0	3.6	3.9
Women managers	4.1	4.0	3.4	3.4	3.5
High-school graduates	4.0	4.1	3.3	3.1	3.3
Rural candidates	4.0	4.1	3.2	3.1	3.3
WPs	3.8	3.5	3.6	3.2	3.2

Note: Participants were asked to rate the systems on a seven-point Likert scale. Scores closer to one indicate negative assessments. Scales closer to seven indicate positive assessment.

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

As most poll participants were negatively biased against most of these policies, it may seem pointless to compare and contrast their assessments of each. Nonetheless, there are a few important facts that bear discussion. While most poll participants rated the PBS as unhelpful in promoting fairness, they rated it as helpful in terms of necessity and promoting the efficiency, autonomy, and accountability of public institutions relatively more favorably than other policies. In contrast, they were generally dismissive of the positive effects of policies on hiring high school graduates and people from rural areas and introducing WPs, except for the fact that these policies seem to promote fairness. This suggests that systems and policies designed to enhance the fairness of public institutions may contradict systems and policies necessary to enhance their autonomy, accountability and efficiency. It is thus important for the Korean government to find an appropriate and sustainable balance. Most importantly, each policy was rated as adverse to promoting the autonomy and accountability of public institutions. Although the AMPI was enacted with the stated mission of making autonomy and accountability the new central principles of management for public institutions, few policy efforts have been made or implemented successfully toward advancing these principles in the field.

1) PBS

Our opinion poll shows that public-sector employees view the PBS as more favorable to accountability than to fairness, efficiency, or autonomy. This may be because a monolithic PBS scheme was introduced into the public sector unilaterally by the Korean government.

〈Table V-10〉 Perceptions of the PBS

(Unit: Percentage)

PBS contributes to:	No	Neutral	Yes
Necessity	33.9	16.2	49.8
Fairness	47.4	19.3	33.3
Efficiency	38.0	15.1	46.9
Autonomy	44.1	17.4	34.1
Accountability	39.3	19.3	42.6

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

2) Increasing the Number of Women Managers

A significant proportion—31.8 percent—of poll participants leaned negatively toward increasing the number of women managers at public institutions, but those who rated the policy as necessary still outnumbered critics by 14.1 percentage points. As with the PBS, this represents a significant proportion. Our poll further shows that participants think of this policy as contributing more to fairness than to efficiency, autonomy, or accountability.

〈Table V-11〉 Perceptions of the Policy on Increasing the Number of Women Managers

(Unit: Percentage)

Policy contributes to:	No	Neutral	Yes
Necessity	31.8	22.3	45.9
Fairness	35.7	23.3	41.0
Efficiency	48.0	28.4	23.6
Autonomy	49.8	27.9	22.3
Accountability	47.2	26.1	26.7

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

3) Hiring High School Graduates

Poll participants mostly viewed this policy as contributing more to fairness than to efficiency, and tended to regard it as more necessary than not. Yet the difference between those who agreed with its necessity and those who disagreed was not significantly large. In addition, the perceived necessity of this policy varied dramatically by type of public institution, with 53.4 percent of employees at public corporations rating it as necessary, giving it scores ranging from five to seven on the seven-point Likert scale, while only 37.0 percent of employees at quasi-governmental institutions did the same. Public corporations, in other words, were more open to the policy of specifically hiring high school graduates.

〈Table V-12〉 Perceptions of the Policy on Hiring High School Graduates

(Unit: Percentage)

Policy contributes to:	No	Neutral	Yes
Necessity	39.2	19.8	41.0
Fairness	35.4	18.9	45.7
Efficiency	54.6	20.8	24.6
Autonomy	60.0	19.2	20.8
Accountability	54.6	21.8	23.6

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

4) Hiring Personnel from Rural Areas

Now that the relocation of important government agencies to outside of Seoul is nearing completion, there is growing support for increasing the number of public-sector employees from smaller communities or rural areas. Nevertheless, most of our poll participants remained dismissive or reserved on hiring people from the provinces, viewing the policy as beneficial more to fairness than efficiency.

〈Table V-13〉 Perceptions of the Policy on Hiring Personnel from Rural Areas

(Unit: Percentage)

Policy contributes to:	No	Neutral	Yes
Necessity	36.2	19.5	44.3
Fairness	33.8	17.0	49.2
Efficiency	57.4	22.3	20.3
Autonomy	60.7	21.8	17.5
Accountability	53.6	21.0	25.4

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

5) WPs

Poll participants were largely critical of WPs and their effect on public institutions, questioning even their necessity. The number of participants rating WPs as detrimental to the accountability and autonomy of public institutions was nearly double those rating them as beneficial.

〈Table V-14〉 Perceptions of WPs

(Unit: Percentage)

WPs contribute to:	No	Neutral	Yes
Necessity	43.6	15.1	41.3
Fairness	50.5	15.9	33.6
Efficiency	47.4	16.6	36.1
Autonomy	55.7	21.6	22.6
Accountability	53.6	22.6	23.8

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

6) Comparison

The policies subject to our analysis all pertain to wages and personnel management at public institutions. WPs and the PBS were introduced under the last conservative administration, which also introduced policies promoting inclusion and justice, such as those on increasing the number of women managers, and hiring more high school graduates and personnel from rural areas. Of particular importance is poll participant assessment of the necessity for these

policies and how they contribute to fairness. More participants rated the wage policies, such as the PBS and WPs, as contributing to efficiency than not, and rated personnel-related policies as necessary and contributing to fairness.

Interestingly, the PBS received quite favorable ratings, more so than other policies, in terms of necessity, and was assessed as contributing to almost all the values except for fairness. While there is ongoing controversy over replacing the PBS with seniority-based pay scales, public-sector employees in general appear to agree with the institutional values embodied by the PBS. The Korean government could increase this acceptance by allowing public institutions to decide on their own whether to adopt such pay scales, in light of their organizational characteristics and the nature of projects they undertake.

〈Table V-15〉 Proportions of Poll Participants Giving a Positive Rating to the Major Policies

(Unit: Percentage)

Contributes to:	PBS	WPs	Women managers	High school graduates	Rural-area personnel
Necessity	49,8	41,3	45,9	41,0	44,3
Fairness	33,3	33,6	41,0	45,7	49,2
Efficiency	46,9	36,1	23,6	24,6	20,3
Autonomy	34,1	22,6	22,3	20,8	17,5
Accountability	42,6	23,8	26,7	23,6	25,4

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

The greatest proportion of participants disapproved of the necessity of WPs over other policies--10.3 percentage points greater than the proportion of participants who felt the PBS was unnecessary. This may be because the poll targeted working-level officials and mid-level managers rather than young employees. However, it may also reflect the fact that the WPs were introduced to ease transition into the PBS and that more public-sector employees approve of the values embodied by the PBS than not.

〈Table V-16〉 Proportions of Poll Participants Giving a Negative Rating to the Major Policies

(Unit: Percentage)

Contributes to:	PBS	WPs	Women managers	High school graduates	Rural-area personnel
Necessity	33,9	43,6	31,8	39,2	36,2
Fairness	47,4	50,5	35,7	35,4	33,8
Efficiency	38,0	47,4	48,0	54,6	57,4
Autonomy	44,1	55,7	49,8	60,0	60,7
Accountability	39,3	53,6	47,2	54,6	53,6

Source: *Opinion Poll on the Systems and Policies for Management of Public Institutions* (October 2017).

Again, more participants rated these policies as unhelpful than helpful to the autonomy and accountability of public institutions. The government's unilateral enforcement of these policies and insistence on including institutional performance in the related areas in the MPE do not cohere with the emphasis on autonomy and accountability.

2 Analysis of the Organizational Effects of Trust

We also analyzed how the three types of trust (in organizations, in fellow members, and in government policies) affect public-sector employees' organizational and job commitment, organizational citizenship behavior, and organizational satisfaction. Trust in organizations refers to the general trust individual members place in the organizations to which they belong. Trust in fellow members refers to interpersonal trust members hold in one another. Trust in government policies refers to the basic trust in the efficacy of the various systems and policies that the government has introduced to manage public institutions.

We analyzed not only the importance to and effect of trust on public institutions, but also how such trust is formed in the first place. Below, we set up a number of hypotheses regarding the organizational effects and formative factors of trust, introduce the variables used in our empirical analysis, and discuss the results of our empirical analysis with respect to the hypotheses.

A. Hypotheses

1) Trust and Organizational Commitment

One can expect trust in organizations and fellow members to exert a positive influence on members' organizational commitment. General trust in one's workplace and fellow workers can be thought to increase or maintain one's interest in the future and development of that workplace and also one's commitment and loyalty to the organization.

Hypothesis 1: The higher the level of their trust in the organization, fellow members, and government policies, the more immersed employees will be in their public institution.

2) Trust and Job Commitment

Public-sector employees with great trust in their organizations and colleagues are likely to be immersed in their jobs as well, working with pride, a sense of fulfillment, and passion. Trust, in other words, could well be a source of attachment to a job. Trust is also needed to foster a stable and pleasant work environment conducive to concentration on work.

Hypothesis 2: The higher the level of their trust in the organization, fellow members, and government policies, the more immersed employees will be in their jobs.

3) Trust and Organizational Citizenship Behavior

Members' high levels of trust in their organizations will likely increase their interest in, willingness to dedicate themselves to, and satisfaction with their organizations and thereby motivate them to engage in positive forms of citizenly conduct, such as helping one another. Trust in government policies is also expected to exert positive effects on organizational citizenship behavior.

Hypothesis 3: The higher the level of their trust in the organization, fellow members, and government policies, the more likely employees will behave in a citizenly manner in public institutions.

4) Trust and Organizational Satisfaction

Trust in organizations and fellow members likely increases positive emotional experiences members have, including, but not limited to, the sense of solidarity they derive from workplace relations, satisfaction with the way their organizations are run, and the fairness of the procedures they are required to follow. These experiences, in turn, will increase employee satisfaction with their organizations.

Hypothesis 4: The higher the level of their trust in the organization, fellow members, and government policies, the more likely employees will take satisfaction from working for their organization.

B. Main Variables & Model of Analysis

1) Model of Analysis

In order to test the hypotheses regarding the organizational effects of trust in organizations, fellow members, and policies, we set up the following model of analysis. Because the variables representing organizational effects were measured along a seven-point scale, an ordered logic model was used in our empirical analysis.

$$\mu_i = \beta_0 + \beta_1\chi_{1i} + \beta_2\chi_{2i} + \beta_3\chi_{3i} + X\beta + \epsilon_i$$

Where: i

μ_i : Organizational effect

χ_{1i} : Trust in organizations

χ_{2i} : Trust in members

χ_{3i} : Trust in policies

X : Control variables (organization type, education, civil service grade, age, gender, etc.)

2) Dependent Variables

Job commitment was measured by asking poll participants to rate how strongly they agreed with the statement, “I am passionate almost every day about the work I do.” Because people who are passionate about their work likely concentrate on it and are motivated to do well at their jobs, we used passion as the main variable for job commitment.

As for organizational citizenship behavior, poll participants were asked to rate how strongly they agreed with the statement, “I willingly help colleagues who seem overburdened with work.” While organizational citizenship behavior can be measured using diverse metrics, including how willingly members comply with the code of conduct and rules at their workplaces, willingness to help colleagues is a clear and immediate effect of organizational citizenship behavior.

As for organizational satisfaction, poll participants were asked to rate how strongly they agreed with the statement, “Considering the overall working conditions (including opportunities for promotion and wage levels), I am generally satisfied with my workplace.” Participants were asked to rate all three statements along a seven-point scale (“1” = Strongly disagree; “2” = Disagree; “3” = Somewhat disagree; “4” = Neutral; “5” = Somewhat agree; “6” = Agree; and “7” = Strongly agree).

Participants’ ratings of organizational effects generally ranged between five and six points. Organizational satisfaction was the lowest-scoring area, with a mean score of 5.2 points and a significantly greater proportion of poll participants expressing disagreement with the statement than for other forms of organizational effects. Organizational commitment, by contrast, had significantly higher scores, suggesting that, while public-sector employees are not so satisfied with their organizations at present, they still want their organizations to become better in the future and take strong interest in the development of their organizations.

The proportion of participants disagreeing with the statement on organizational citizenship behavior was the smallest, suggesting that public-sector employees tend to see themselves as altruistic and willing to help colleagues and organizations in need.

〈Table V-17〉 Organizational Effects as Rated by Poll Participants

(Units: Percentage points)

Effect type	Negative	Neutral	Positive	Mean score
Organizational commitment	2.1	5.1	92.8	6.1
Job commitment	3.8	14.4	81.8	5.6
Organizational citizenship behavior	1.3	7.0	91.6	5.9
Organizational satisfaction	11.8	15.2	73.0	5.2

3) Independent Variables

Trust in organizations was measured in terms of how strongly poll participants agreed with the statement, “I can follow the decisions and actions of my organization with confidence.” Trust in fellow members was also measured using the statement, “I completely trust my colleagues.” While individual members may be motivated to trust their organizations due to a variety of factors (e.g., the social characteristics of their colleagues or institutions, organizational visions and goals), the general state of their trust in their organizations can be read off their willingness to follow the decisions made or actions taken by their organizations.

Trust in government policies can also be measured with respect to diverse aspects, including the aims, anticipated effects, feasibility, and sustainability of the given policies. As aims are the most fundamental part of policies, we measured public-sector employee trust in government policies by asking them to rate their agreement with the statement, “I trust in the visions and aims underlying the policies that the government uses to manage public institutions.” Such a statement expresses general trust in the government rather than trust in particular policies or programs. Poll participants were asked to rate these statements along a seven-point scale (ranging from “1” indicating “Strongly disagree”) to “7” indicating “Strongly agree”).

4) Control Variables

We sought to control for the idiosyncratic factors of individual poll

participants and their organizations so as to minimize bias associated with omitted variables. The control variables of our analysis thus included public institution type, participant education, civil service grade, area of work, annual salary level, age, and gender.

5) Descriptive Statistics

<Table V-21> lists the descriptive statistics of the dependent and independent variables used in our empirical analysis. Poll participants in general were more trusting of their colleagues than of their organizations or government policies. This may be because colleagues are clear and personable objects of trust with whom employees frequently engage in emotional exchanges. Trust in policies scored the lowest, most likely because the government's policies of managing public institutions tend to be heavy-handed and regulatory. Interestingly, trust in policies was also the form of trust that had the greatest standard deviation, indicating the wide variety of public-sector employee views of government policies.

<Table V-18> Descriptive Statistics

Variable type	Variable	N	Mean	S.D.	Min.	Max.
Dependent	Organizational commitment	610	6.102	1.034	1	7
	Job commitment	610	5.602	1.163	1	7
	Organizational citizenship behavior	610	5.895	0.977	1	7
	Organizational satisfaction	610	5.195	1.416	1	7
Independent	Trust in organizations	610	5.411	1.317	1	7
	Trust in members	610	5.939	1.154	1	7
	Trust in policies	610	4.654	1.511	1	7
Control	Institution type	610	3.218	1.038	1	4
	Education	610	2.598	0.662	1	5
	Civil service grade	610	3.270	1.083	1	6
	Area of work	610	2.343	1.303	1	5
	Annual salary level	610	3.730	1.621	1	6
	Age	610	3.062	0.699	1	5
	Gender	610	1.110	0.313	1	2

C. Results of Empirical Analysis¹¹⁾

1) Trust & Organizational Commitment

Trust in organizations emerged with a positive correlation to organizational commitment, statistically significant at a one-percent level. Trust in members also showed a positive correlation to organizational commitment. Public-sector employees with high levels of trust in organizations and members also took strong interest in the future of their organizations. In particular, organizational commitment tended to be strong in employees who trusted their organizations more than they trusted their colleagues. As we hypothesized, the stronger one's trust in one's organization, the more attached and loyal one grows to the organization. Although trust in colleagues is not, strictly speaking, trust in organizations, it still had a positive impact on organizational commitment, suggesting that strong solidarity and rapport with one's colleagues consolidated employee loyalty to public institutions.

Trust in policies, too, bore a positive correlation to organizational commitment. Although the regression coefficient in this case was smaller than with respect to trust in organizations and members, that government policies that are much more abstract than organizations and colleagues still exert impact on public-sector employees' organizational commitment bears strong policy implications. Our poll participants were clearly and strongly trusting of their organizations and colleagues, leaving little room for interpretation. Their trust in policies, however, remain relatively ambiguous. As policies can influence the entire public sector, this should be taken into account in further research on organizational effects in public institutions.

11) To avoid possible bias generated by heteroscedasticity, we used robust standard error in our analysis.

〈Table V-19〉 Trust & Organizational Commitment

Variable	Interest in the future of organization	
	Coefficient	S.E.
Trust in organizations	0.626***	0.110
Trust in members	0.505***	0.124
Trust in policies	0.137**	0.059
Institution type (pro-market public corporations excluded)		
Quasi-pro-market public corporations	0.131	0.330
Quasi-governmental funds	0.255	0.336
Quasi-governmental agencies	0.066	0.311
Education (high school graduates excluded)		
Bachelor's degree	0.073	0.697
Master's degree	0.380	0.691
Doctoral degree	0.080	0.760
Other	13.032***	1.238
Civil service grade (Grade 5 excluded)		
Grade 4	-1.740***	0.502
Grade 3	-1.441***	0.470
Grade 2	-0.752	0.504
Grade 1	-0.539	0.595
Other	-1.483**	0.609
Area of work (strategy development & planning excluded)		
Management support	-0.092	0.197
PR	-1.334**	0.549
Main policy projects	0.205	0.223
Other	0.460	0.516
Annual salary level (less than KRW 50 million excluded)		
KRW 50,000,000 to 59,999,999	0.194	0.369
KRW 60,000,000 to 69,999,999	0.891**	0.426
KRW 70,000,000 to 79,999,999	0.473	0.399
KRW 80,000,000 to 89,999,999	0.726*	0.424
KRW 90,000,000 or more	0.931**	0.473
Age (19 to 29 excluded)		
30 to 39 years old	-1.119	1.148
40 to 49 years old	-1.291	1.152
50 to 59 years old	-1.502	1.180
60 or older	-0.702	1.352
Women (men excluded)	0.003	0.298
R-squared	0.184	
N	610	

Note: The asterisks, ***, **, and *, indicate significance at one-percent, five-percent, and 10-percent levels, respectively.

2) Trust & Job Commitment

Job commitment, measured in terms of passion for one's work, also bore statistically significant positive correlations to trust in organizations and members. In other words, the more trusting employees are of their organizations and colleagues, the more passionate they become about their work. The coefficient of trust in organizations was also significantly greater than with trust in members, indicating that the former was the more important factor in job commitment than the latter. This finding holds significance for public institutions and should encourage them to foster employee trust in organizations.

The coefficient of trust in members is relatively small and indicates that it does not necessarily translate into job commitment. However, trust in members is conducive to a stable and pleasant working environment and will likely positively influence employee passion for work.

Trust in policies, too, showed a positive correlation to job commitment at a significance level of 10 percent. More specifically, trust in the aims and visions behind government policies on managing public institutions seems to influence public-sector employee attitude and outlook on their careers. Trust in policy aims or visions likely strengthens their motivation to contribute to the realization of those aims or visions through their work.

The majority of control variables, including gender, age, education, civil service grade, and institution type, failed to show statistically significant correlations to job commitment, reaffirming the conclusion that fostering trust in organizations and members is the main key toward enhancing job commitment. The annual salary level, however, emerged with some positive correlations to job commitment. Specifically, participants earning KRW 80 million or more a year emerged as more immersed in their jobs than participants with lower levels of income.

〈Table V-20〉 Trust & Job Commitment

Variable	Passion for one's work	
	Coefficient	S.E.
Trust in organizations	0.848***	0.110
Trust in members	0.282**	0.113
Trust in policies	0.118*	0.061
Institution type (pro-market public corporations excluded)		
Quasi-pro-market public corporations	0.049	0.317
Quasi-governmental funds	0.339	0.320
Quasi-governmental agencies	0.305	0.286
Education (high school graduates excluded)		
Bachelor's degree	-1.524	1.107
Master's degree	-1.121	1.104
Doctoral degree	-0.832	1.142
Other	14.907***	1.486
Civil service grade (Grade 5 excluded)		
Grade 4	-0.459	0.441
Grade 3	-0.037	0.416
Grade 2	0.465	0.438
Grade 1	0.310	0.518
Other	-0.200	0.627
Area of work (strategy development & planning excluded)		
Management support	-0.026	0.182
PR	-0.948	0.619
Main policy projects	0.145	0.203
Other	0.403	0.693
Annual salary level (less than KRW 50 million excluded)		
KRW 50,000,000 to 59,999,999	0.356	0.366
KRW 60,000,000 to 69,999,999	0.471	0.389
KRW 70,000,000 to 79,999,999	0.445	0.406
KRW 80,000,000 to 89,999,999	0.884**	0.413
KRW 90,000,000 or more	0.779*	0.436
Age (19 to 29 excluded)		
30 to 39 years old	-0.741	0.974
40 to 49 years old	-0.870	0.985
50 to 59 years old	-0.443	0.999
60 or older	15.854***	1.552
Women (men excluded)	0.328	0.281
R-squared	0.184	
N	610	

Note: The asterisks, ***, **, and *, indicate significance at one-percent, five-percent, and 10-percent levels, respectively.

3) Trust & Organizational Citizenship Behavior

Trust in organizations and members were also shown to positively influence organizational citizenship behavior of public-sector employees, naturally inclining these individuals toward helping one another and their organizations. The coefficient of trust in members was slightly greater than that of trust in organizations, albeit without statistical significance. This is nonetheless still noteworthy, as trust in organizations played a greater role with respect to organizational and job commitment. As citizenship behavior involves the willingness to help one's colleagues and peers, it seems appropriate that trust in members plays a greater role in this regard.

Contrary to Hypothesis 2 that trust in policies would also positively influence organizational citizenship behavior, it was not a statistically significant factor that increased the willingness to help one's colleagues. Our expectation behind the hypothesis was that trust in policies would make individuals more conforming and dedicated to public institutions and motivate them to contribute to their organizations by helping one another, but our empirical analysis showed the link between trust in policies and organizational citizenship behavior to be weaker than expected.

〈Table V-21〉 Trust & Organizational Citizenship Behavior

Variable	Willingness to help colleagues	
	Coefficient	S.E.
Trust in organizations	0.587***	0.104
Trust in members	0.608***	0.126
Trust in policies	0.085	0.057
Institution type (pro-market public corporations excluded)		
Quasi-pro-market public corporations	-0.170	0.313
Quasi-governmental funds	0.091	0.310
Quasi-governmental agencies	-0.030	0.267
Education (high school graduates excluded)		
Bachelor's degree	-0.714	0.503
Master's degree	-0.381	0.500
Doctoral degree	-0.375	0.585
Other	13.578***	1.138
Civil service grade (Grade 5 excluded)		
Grade 4	-0.875*	0.478
Grade 3	-0.441	0.473
Grade 2	0.009	0.511
Grade 1	-0.366	0.589
Other	-0.160	0.648
Area of work (strategy development & planning excluded)		
Management support	0.055	0.194
PR	0.066	0.524
Main policy projects	0.134	0.212
Other	0.687	0.512
Annual salary level (less than KRW 50 million excluded)		
KRW 50,000,000 to 59,999,999	0.663**	0.328
KRW 60,000,000 to 69,999,999	0.671*	0.376
KRW 70,000,000 to 79,999,999	0.509	0.395
KRW 80,000,000 to 89,999,999	0.746**	0.380
KRW 90,000,000 or more	0.743*	0.425
Age (19 to 29 excluded)		
30 to 39 years old	-0.381	0.691
40 to 49 years old	-0.579	0.724
50 to 59 years old	-0.092	0.742
60 or older	0.570	0.889
Women (men excluded)	-0.073	0.314
R-squared	0.184	
N	610	

Note: The asterisks, ***, **, and *, indicate significance at one-percent, five-percent, and 10-percent levels, respectively.

4) Trust & Organizational Satisfaction

Trust in organizations and members both bore positive correlations to public-sector employees' overall satisfaction with their organizations, at a significance level of one percent. Trust in organizations seems to decrease dissatisfaction with the decisions of their organizations that influence them on a personal level, such as job performance reviews, wage increases, and personnel decisions, and thereby ease their conformity to their organizations' decisions.

Trust in members, moreover, fosters stable and healthy interpersonal relations at work and willingness to help one another, thereby further strengthening the general satisfaction that employees take in their organizations. However, trust in organization was still the more important key to organizational satisfaction than trust in members.

Trust in policies failed to show a statistically significant correlation to organizational satisfaction. This contrasts the finding that trust in policies bears positive correlations to organizational and job commitment. Although government policies requiring performance evaluation, wage peaks, personnel increase review, and other such policies exert significant influences on daily working conditions, our empirical analysis surprisingly revealed that the link between trust in policies and employees' organizational satisfaction was weak. While additional analysis is needed to determine the exact cause of the absence of correlation, organizational satisfaction appears to be more an outcome of internal factors of public institutions than external ones.

The more highly public-sector employees rated how well their organizations achieve their stated visions and goals—one of the control variables—the more satisfied they were with their organizations. The accomplishments of their organizations seem to enhance the sense of pride and fulfillment public-sector employees take in their workplaces and thereby increase their organizational satisfaction.

The annual salary level, too, emerged with a positive correlation to organizational satisfaction. High salaries may be in themselves a cause for this, and employees receiving them likely enjoy other perks that contribute to their satisfaction with their organizations. However, the fact that trust in organizations and members still exerted positive effects on organizational satisfaction even after financial rewards were controlled implies the lasting importance of fostering, maintaining, and enhancing public-sector employee trust in their organizations and in one another.

〈Table V-22〉 Trust & Organizational Satisfaction

Variable	Organizational satisfaction	
	Coefficient	S.E.
Trust in organizations	0.638***	0.107
Trust in members	0.284***	0.098
Trust in policies	0.080	0.064
Institution type (pro-market public corporations excluded)	0.559***	0.110
Quasi-pro-market public corporations		
Quasi-governmental funds	-0.305	0.313
Quasi-governmental agencies	-0.332	0.290
Education (high school graduates excluded)	0.002	0.289
Bachelor's degree		
Master's degree	1.227	1.919
Doctoral degree	1.053	1.921
Other	0.474	1.938
Civil service grade (Grade 5 excluded)	1.927	1.891
Grade 4		
Grade 3	-0.799	0.516
Grade 2	-0.362	0.507
Grade 1	-0.140	0.543
Other	0.032	0.602
Area of work (strategy development & planning excluded)	0.003	0.553
Management support		
PR	0.243	0.187
Main policy projects	-0.497	0.534
Other	-0.051	0.195
Annual salary level (less than KRW 50 million excluded)	0.260	0.556
KRW 50,000,000 to 59,999,999		
KRW 60,000,000 to 69,999,999	0.837**	0.336
KRW 70,000,000 to 79,999,999	1.447***	0.366
KRW 80,000,000 to 89,999,999	1.694***	0.360
KRW 90,000,000 or more	1.885***	0.395
Age (19 to 29 excluded)	2.762***	0.431
30 to 39 years old		
40 to 49 years old	-0.261	1.182
50 to 59 years old	-1.052	1.189
60 or older	-1.664	1.228
Women (men excluded)	-0.693	1.313
Trust in organizations	0.321	0.259
R-squared	0.202	
N	610	

Note: The asterisks, ***, **, and *, indicate significance at one-percent, five-percent, and 10-percent levels, respectively.

5) Conclusion

<Table V-27> sums up the correlations between the three forms of trust and the four types of organizational effects. The circles indicate significant correlations, while the X's indicate a lack thereof. Trust in organizations and members bear positive correlations to all four types of organizational effects with statistical significance, thus confirming our hypotheses.

Trust in policies bears significant positive correlations to organizational and job commitment, but not so to organizational citizenship behavior or organizational satisfaction. Organizational and job commitment can contribute to the realization of policy aims and objectives. Henceforth, the stronger one's trust in policies, the more immersed one is in organization and work. Organizational citizenship behavior and satisfaction, on the other hand, bear no direct relevance to the achievement of policy aims and objectives.

Of the three types of trust, trust in organization was the most important factor in most organizational effects. This signifies the value of enhancing trust in organizations as the key to improving organizational effects and performance. The transparency and fairness of internal processes pertaining to performance review, personnel, and rewards would strengthen employee trust in organizations' decisions.

Trust in members is an interpersonal form of trust that is fostered through regular exchanges between colleagues, both on the job and off. Organizations may be tempted to think that they can do little to foster this kind of trust. However, actions that are geared to enhancing trust in organizations can also positively influence trust in colleagues. Organizational support for socialization of its members would also bear some positive effect.

Compared to the other two forms of trust, trust in policies exerted only limited influence on organizational effects. This contrasts with our expectation that government policies of performance evaluation, performance-based salaries, hiring, and other policies that shape the daily working environments of public-sector employees would exert significant influence. This may be because policies are regarded as external givens that neither organization nor individual employee can do anything about. However, our finding that trust in policies bears positive correlations to organizational commitment and job commitment

should lead policymakers to take the matter of fostering this trust more seriously. This is all the more important as trust in policies received lower scores than other types of trust. Trust in policies generally originates from their perceived necessity, fairness, consistency, and sustainability. Policymakers should therefore review whether the policies they apply to public institutions satisfy these criteria.

Variables other than trust generally show little correlation to organizational effects, affirming our suspicion that trust is about the only and most effective instrument of enhancing organizational effects. Of the control variables, however, annual salary levels showed some positive correlation to organizational effects. Contrary to our expectation that financial rewards would significantly influence employees' organizational and job commitment as well as organizational satisfaction, our analysis revealed that there was in fact no proportional correlation between the two sides.

〈Table V-23〉 Trust & Organizational Effects: Summary

	Organizational commitment	Job commitment	Organizational citizenship behavior	Organizational satisfaction
Trust in organizations	○	○	○	○
Trust in members	○	○	○	○
Trust in policies	○	○	×	×

VI

Conclusion

This study reveals how internal members—employees—of public institutions rate the effectiveness of the Korean government’s policies and systems for managing the public sector.¹²⁾ Aside from poll participants’ reservations regarding the effectiveness of the MPE and the TWS, they were generally in agreement with the necessity of the management systems and policies included in the survey. Poll participants also mostly saw these systems and policies as contributing to the fairness and efficiency of public institutions. However, they were skeptical that these systems and policies, with the exception of the MIDR, contributed to the autonomy and accountability of their organizations.

Although the AMPI (2007), based on the *OECD Guidelines for Corporate Governance of State-Owned Entities* (2005), places central emphasis on the autonomy and accountability as the main principles of public institution management, the majority of government systems and policies used to manage these institutions are received negatively and seen as simply mechanisms of control by internal members of those institutions. The negative assessment of these systems and policies, however, is not sufficient to deny their necessity. The TWS and the PIR, designed to prevent lax and wasteful management

12) As the opinion poll, out of which this study comes, targets mid-level managers and working-level officials of 119 public institutions, the given sample may lack representativeness, and the conclusion could well vary if new employees and labor union members were included. However, our goal was to survey how officials, who had a relatively good grasp of government systems and policies and had some experience negotiating with the government, rated the government systems and policies of public sector management.

practices in advance, do have their benefits. Fortunately, attempts have begun to allow public institutions greater autonomy with respect to managing their personnel within the limits set by the TWS.

In order to overcome the conflict between autonomy and preemptive control, it is critical for Korean policymakers to adopt different approaches of management for different types of institutions, i.e., ones that require significant autonomy in their projects and others that would benefit more from preemptive control. One way to start this process of change is to review and determine which Korean public institutions fall into the category of state-owned entities subject to the OECD *Guidelines*. This, in turn, requires us to revisit the current system of classifying public institutions according to policy purposes. The present system of applying a monolithic framework of management to all public institutions irrespective of their size and the nature of their undertakings will no longer work. It will be more inefficient to manage large public corporations listed on the stock market, on the one hand, and small agencies providing services on behalf of the government, on the other, using the same system. Although government systems and policies may effectively prevent lax management and organizational selfishness in some institutions, others may feel such systems and policies as representative of heavy-handed control. Some institutions, in the meantime, may benefit from simultaneous control of personnel and total wages, but others may require control of only one and not the other. The key to improving public-sector employee acceptance of government management is to apply diverse and differentiated systems and policies.

In particular, special attention is needed to revisit the environment and value of the MPE at the center of the demand for institutional reform. Although the MPE has been pivotal to the entire framework of public sector management for over three decades, public-sector employees today regard it as the most ineffective and loathsome feature of the government's oversight. For a long time, critics have been raising issues with the qualification of evaluators, the limits of evaluation indicators, the shortcomings of the relative evaluation structure, and the unfairness of applying monolithic evaluation processes. These issues, however, are relatively trivial when we consider the fundamental problem underlying the MPE: it will not significantly improve public-sector employee satisfaction and commitment even if experts from diverse fields were to render

evaluations and the indicators were to be upgraded. Performance assessment by nature measures the validity of the outcomes of given organizations' activities and decisions on the presumption that the organizations were given an environment supportive of autonomous decision-making. The fact that the MPE is mainly used as a means of preemptive control by the government, however, makes it increasingly less palatable to public-sector employees. This problem cannot be solved by focusing on particular details of the MPE process. Rather, it requires a paradigm shift in what it means to manage public institutions.

As social justice is emerging as a new core ideal of Korean society, the Korean government is seeking to reform the evaluation system toward an emphasis on fairness. Fairness, along with performance, is one of the principal values pursued by public institutions. Our study shows that poll participants rated most of the management systems and policies positively in terms of their contribution to fairness. However, increasing fairness by hiring more women and other minorities at the expense of overall institution performance may indeed contradict the nature of performance evaluation which supposes *a priori* autonomy and *a posteriori* evaluation. While public institutions ought to pursue both performance and fairness, reinforcing evaluation of their performance in terms of how well they complied with political policies may undermine their balance and functions. Without separating their contribution to the two, strengthening the emphasis on fairness may distort the incentive structure faced by public institutions and lead them to neglect performance. Although public institutions undertake projects and activities ultimately for the public interest and the common good, it is important to apply a dual system of evaluation to them, assessing both their efforts to promote policy goals (e.g., giving non-regular workers regular employment status and creating jobs for minorities) and the soundness of their financial performance. The MPE to be conducted in 2017, concerning public institution performance in 2016, should divide performance into financial and policy (non-financial) areas and reward public institutions differently according to how they are evaluated in each area. This system of evaluation can induce public institutions to act in a more balanced manner, for increasing policy emphasis on fairness should not lead them to neglect their primary mission of generating quantifiable outcomes and benefits. The manner in which public institutions' policy performance is measured, with

respect to fairness, should also be revisited. For example, we should question whether it is appropriate to measure performance on giving regular employment status to non-regular workers and creating jobs for minorities solely on a quantitative basis. Evaluation of policy performance may indeed require more qualitative review.

In this study, we also analyzed how public-sector employees' trust in government policies and systems influence the effectiveness of the government's management of public institutions. Our empirical analysis demonstrates that trust in policies exerts a significant positive effect on public-sector employee organizational and job commitment. Trust in organizations and members positively influences all four forms of organizational effects—organizational commitment, job commitment, organizational satisfaction, and organizational citizenship behavior. Trust in policies, on the other hand, affects only organizational and job commitment. This finding suggests that the government should use its management systems and policies not as means of control, but as instruments to enhance the performance, autonomy, and accountability of public institutions.

The fact that the MIDR is rated more favorably than other government systems of management and that the MPE is rated more negatively suggests the direction in which the government system of public sector management should be reformed if fostering public-sector employee trust is the goal. These findings also suggest the difficulty of ensuring trust in policies when the government uses a heavy hand to interfere with public institution management through preemptive control and monitoring. As prompted by the AMPI, the Korean government should bring about transformational innovation in its system of management for public institutions by introducing innovative measures that encourage autonomy and accountability in these institutions.

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