

The rate for the job

How can trade unions cope with performance-related pay?

Unions have long bargained on the basis of “standard” rates. Today they are having to come to terms with managements rewarding individual performance. David Marsden argues that unions still have an important role to play in preserving the idea of fairness in the workplace.

New thinking on the organisation of work and pay has brought management into direct conflict with long-established trade unions ideas of fairness and the methods they have used to defend their members' interests. As employers have striven to make their organisations more responsive to more competitive and faster changing markets, they have sought to devolve decision making and to rely more upon employees thinking for themselves and using their own initiative. They have felt the need to adopt more performance-oriented reward systems to reinforce this shift.

Historically, a key principle of trade union regulation of workers' pay and conditions has been the “common rule”, which has given substance to notions of fairness. One of its most important manifestations has been the “standard rate”, the idea that unions should seek to establish a minimum rate of pay for particular types of work: a minimum rate per unit of time, or per piece, or job realised. Today, in continental Europe and still in large parts of the British public services, there are sectoral agreements establishing such standard rates of pay, usually linking these to complex systems of job classification.

In the workplace too, the idea of a common rule fitted with traditional payment-by-results (PBR) systems that applied common rates of pay to particular jobs, or applied common rules for the number of pieces produced. William Brown's famous study of piecework bargaining (1973) illustrates just how the logic of a common rule could apply even in at the work group level. Management acts, of commission or omission, establish precedents and the workplace representatives use these to lever up the pay of all, establishing a new common rule.

For many decades, such rules also fitted with management's approach to work organisation and performance, often referred to as the “bureaucratic” model of work organisation. For unions and their members, such rules are simple to enforce, as it is relatively easy to detect backsliding by management. For management, having a standard set of rates of pay greatly eases day-to-day work assignments by removing the incentive to use each change as a pretext for renewed negotiation over pay.

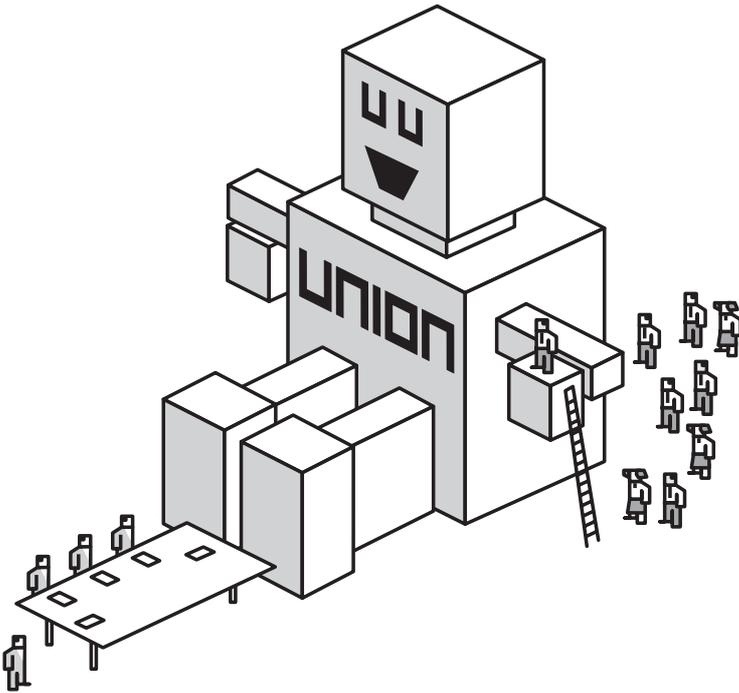
In a word, one might characterise the “common rule” as focusing on the job or the skill as the bearer of rewards,

Fairness meant giving the same rewards for comparable jobs.

with adjustments being made for workloads and working conditions. Fairness meant giving the same rewards for comparable jobs. Employee performance was assumed to be determined by the job. This was always a fiction. Any line manager or experienced trade unionist would tell you, there are “good” and “bad” workers. But, as bureaucratic work systems set rather narrow limits within which individual employees could vary their performance, it was a reasonable approximation.

Rewarding individual performance rather than the job makes the old-style “common rule” inapplicable and has boosted management’s preference for non-union arrangements. I should like to argue that by seeking to maintain the fairness with which modern incentive systems operate, their “procedural justice”, unions still have an important role to play. The early Christian missionaries understood that they had to win over the local chief as well as the people to establish their churches. In the same way, unions’ success in representing their members depends upon gaining recognition from employers. In turn, this depends on convincing employers that jointly managed reward systems work better than those they manage unilaterally.

Over the past two decades, the British public services have led the way internationally in modernising public management and developing more performance oriented work and reward systems. Yet, summarising the research findings on the main public service performance pay schemes, the government’s Makinson report (2000) observed that current arrangements were “ineffective and discredited” and contrasted “approval of the principle and disenchantment with the practice of performance pay”.



Both economists and psychologists involved in personnel management agree that monetary incentives will only work if employees believe their efforts will be rewarded; or, at least, that there is a good chance they will be. Employees may doubt this for several reasons. They may question management’s competence to measure performance accurately. More seriously, they may doubt the good faith and sincerity of management’s promises to reward good performance. The CEP’s work on performance pay illustrates just how widespread such feelings are, even within the public sector (Table 1).

Table 1 Do public servants trust their management over PRP?

Question: % replying ‘agree’	Civil Service		NHS trust hospitals			Schools (heads)	
	Inland Revenue 1991	Inland Revenue 1996	Employment Service	Individual PRP trust	Group PRP trust	Primary	Secondary
Relations with management							
My last appraisal was NOT a fair reflection of my performance*	27	28	31	33	19	33	29
Management use PRP to reward their favourites	35	57	41	41	27	Na	na
There is a quota on good assessments	74	78	74	57	na	48	45
Line manager views:							
PRP has reduced staff willingness to cooperate with management	20	45	39	30	27	Na	na

* reverse scored.
Source Marsden and French (1998), and Marsden and Richardson (1994).



It is hard to relate pupil performance to the work of individual teachers.

All but one of these PRP schemes in Table 1 depended on performance appraisal by line managers. The exception was the trust hospital using a trust-wide bonus. Around 30% of employees thought their last appraisal, on which their latest performance pay award depended, was not a fair reflection of their performance. Many thought managers used PRP to reward their favourites and that senior management set quotas on good appraisals in order to save money. Many line managers thought PRP had made staff less cooperative. Such expressions of employee distrust of management are not just old British "them and us" attitudes. Milkovitch and Wigdor (1991) report similar employee concerns in the US Federal Service performance management systems.

Both theory and this evidence indicate that management has much to gain from measures that can build employee confidence in the design and operation of their performance management systems. Yet it is hard for them to demonstrate with mere words the credibility of their promises to reward performance. It is hard to refute the quip "they would say that wouldn't they".

Let us consider three examples where unions can act to improve the procedural justice of the new pay and performance management systems.

The operation of PRP schemes

Several of the schemes we studied had limited appeals procedures for individuals, although these tended to be lengthy and many employees might hesitate to challenge the person who would be responsible for their future performance appraisals. Many responded to our surveys that appeal procedures needed to be more effective.

Greater union involvement in the monitoring the operation of performance pay would in fact be building on what already exists. In the organisations we studied, management often went to considerable lengths to communicate with staff and their representatives. Sometimes, our survey results were discussed jointly. More important, information about the operation of performance management systems is shared, such as the distribution of appraisal scores at a fairly aggregated level. Under the March 2000 "partnership agreement" between the Cabinet Office and the Civil Service unions, union involvement the operation of pay reform has an official place.

The choice of incentives that employees feel are appropriate

Although many respondents accepted the principle of paying for performance, the devil is often in the detail: what is "performance" and what kinds of performance can or should be rewarded. Let us consider some examples.

Professionals are more likely than office staff to resent interference in their work by bureaucratic managers. Teachers and health professionals were far less happy about PRP

than civil servants and hospital administrative staff. Professionals were also more likely to respond that they already worked to what they considered an appropriate standard. Such standards are inculcated during professional training and sustained by peer group activities and professional organisations. Employees in bureaucratic functions are more accustomed to direct management control of their work, so that PRP appears as less of an intrusion into their professional autonomy.

Employees who are committed to their organisation are less likely to minimise their effort than those who are not. Yet the design of incentive pay schemes often assumes that this is how employees will behave, unless they have an incentive to do otherwise. For those with a strong professional or public service orientation, this may be a mistaken assumption. A great many of our respondents showed high levels of organisational commitment, compared with studies of other employees. Indeed, our statistical analysis found that strong organisational commitment helped to counteract the negative effects of PRP on motivation and work relations. Worrying, though, were signs that the tensions surrounding PRP had eroded commitment at the Inland Revenue between 1991 and 1996 (Marsden and French 2002).

Disagreement between management and staff over appropriate objectives may also undermine the legitimacy of PRP. In the health services, how long should a ward cleaner or a nurse chat to a sick patient? Such activities add to costs, but they may improve the quality of the patient's stay. In the Employment Service, employees often feel they cannot find an individual job-seeker suitable work within the pre-determined time limit on interviews. Many teachers give large amounts of their own time to support their pupils, because

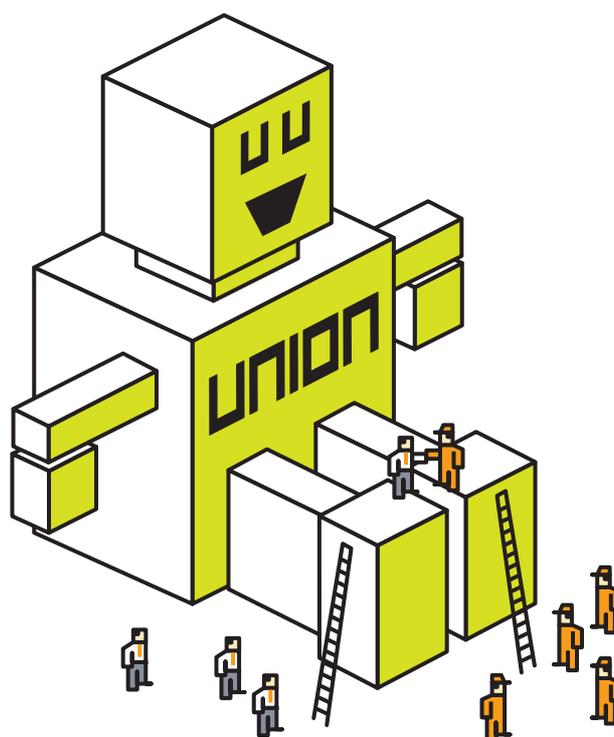




Table 2 Which groups do you identify as sharing the same interests as you in connection with Performance Management (PM)?

When considering the implementation of PM, which groups do you feel share broadly the same interests as yourself?				
	Broadly the same	Mostly different	It's hard to say	
a) Your school's governors	23.3	14.3	62.4	
b) The leadership group/management team in your school	53.7	17.0	29.4	
c) Other teachers in your school	79.8	5.2	15.0	
d) Other teachers in your union or professional association	63.5	4.8	31.6	
e) Your union or professional association	60.4	7.5	32.0	
f) The DfEE or your LEA	10.7	35.4	53.9	

Source Marsden (2000).

budgetary pressures leave them little alternative, if they are to give the quality of education they think right.

Top management, which decides on the choice of incentive scheme, is often far removed from such information. Yet, on the basis of our evidence, inappropriately designed objectives cause employees to feel the targets they have been assigned are irrelevant to their work.

In public services, performance often has many dimensions. Measuring it is partly a question of measuring activities employees consider relevant to their work, but also partly one of measuring those over which they believe they have some control.

Conveying employees' views on measurement difficulties

We found widespread concern about management's ability to measure different aspects of performance and whether managers knew enough about the jobs of their staff to

appraise them properly and to deal with poor performance. If line managers themselves are unsure about the content of jobs of their staff and how to relate it to top management's objectives, they will find it safer to ask for more of the same, ie to emphasise quantity. Indeed, many of the civil service respondents thought there was too much emphasis on quantity, which is more easily measured than quality, despite information campaigns by top management stressing the importance of quality. Performance assessment in team working raises particular measurement problems, especially when PRP focuses on individual performance. In schools, for example, both heads and classroom teachers strongly believed that it was hard to relate pupil performance to the work of individual teachers. Thus a scheme that purports to link pay to the performance of individual teachers' pupils is felt to be measuring the wrong thing.

Finally, top management may overestimate the degree to which the jobs of employees lower down the ladder really give them scope to raise performance and to assume that, if they don't, it is because of lack of motivation. We asked teachers why they thought classroom effectiveness, surely the key element in performance, varied among individual teachers (Marsden, 2000). Only a third thought morale and motivation were the key cause. Most of the other causes cited, notably, skills, ability to motivate pupils and difficult workloads, could be not addressed by individual teachers on their own and so would elude individual PRP.

It is often difficult for individual employees to communicate such information to their managers. There is a fine line between failing to perform because one is incompetent and failing because one lacks necessary resources. Line managers may also think their staff are bargaining for easier targets. If the problem is poor line management, it becomes even harder to transmit the information to higher management. For these and other reasons higher management may well be cut off from the information it needs to design and operate its incentive schemes effectively.

To involve unions in this process may seem like them to help management. However, promoting procedural justice is

Table 3 Who should determine standards of teaching excellence?

Who do you think should have most say in determining standards of excellence in teaching? (Select the top two)	
a) The government and its agencies (eg. DfEE, Ofsted, QCA)	10.5
b) Practising teachers as a whole (the teaching profession)	36.5
c) Practising teachers in one's own discipline	23.4
d) The management team in individual schools	21.8
e) The school's governors	1.5
f) Parents	1.7
g) Local and national employers	1.6
h) Other (please specify)	1.9
i) Several of the above	1.1

Source Marsden (2000)



also protecting their members against unfair treatment by their managers and, perhaps more important, it is not pleasant to work in an environment in which colleagues are demoralised and relations with management soured.

Whether or not unions are the best-placed bodies to take up these issues depends on the confidence of their members. Our study of teachers provides some evidence on this issue (see Table 2). Who did they identify as sharing the same interests in connection with performance management? Unsurprisingly, "other teachers" came out as the group most likely to share the same interests. However, the teachers' unions and professional associations came out strongly, much more so than the DfEE or the LEA and the school's governors.

We also asked who might be a legitimate voice for teachers' views about performance standards: who should determine standards of excellence in teaching (see Table 3). The teaching profession emerged as the leading candidate. As the unions play an important part in maintaining the overall coherence of the teaching profession, this suggests that they can have a clear role.

These findings indicate that the unions can play a critical role in promoting the procedural justice of performance pay schemes and that they would have the confidence of their members.

If unions are to invest heavily in replacing the "common rule" with "procedural justice", we need to answer two questions. First, had not the very public service PRP schemes that Makinson criticised involved the unions in significant ways? Second, if unions become too closely involved in the operation of PRP schemes, do they not run the risk of getting too close to management and forgetting their members?

It is true that the unions were involved in the operation of most of the PRP schemes. However, management either told them they would go ahead without them anyway, or involved them only after the scheme had been implemented. In both cases, unions face a dilemma: oppose the scheme outright and do nothing for individual members, or cooperate in running a scheme about which they have profound misgivings. In none of the schemes were unions or their members given much influence over design and performance measurement.

Had they been more closely involved, might not the unions have found themselves trapped: so closely implicated in the schemes that they could no longer represent their members? Since its inception, unions have never been able to rely solely upon the "common rule". Piecework was never as simple in reality as it is in theory. Because "pieces" are never quite the same and working conditions vary, output fluctuates for reasons beyond workers' control. What seemed a fair rate of pay under good conditions becomes

inadequate if conditions change and piece workers can achieve only a fraction of their target. Older piecework systems built up complex sets of rules for managing this. Adjustments would be made if the quality of components, or the working environment, deteriorated. Someone had to decide whether the change was sufficiently great for the special adjustment to be applied. This cannot be done by management alone for the very reasons discussed earlier. Workplace union representatives became heavily involved in such issues and learned to manage the tensions involved in this role.

The ability of workplace representatives to manage this role depends heavily on the back up provided by their unions and professional organisations. With rising levels of general and higher education, management may have less of an educational advantage over union representatives than in the past, but they will still have greater organisational resources at their command. Whether management should subsidise this function, given the benefits it derives from effective procedural justice, is a moot point. On balance, it would probably leave the unions too much in management's debt, and undermine their independence in the eyes of the membership.

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