

What a performance

Performance related pay in the Public Services

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Foreword

Linking pay to performance is something employers increasingly seek to achieve. This was once seen as an objective which could only be met in the private sector. That is no longer true. In the 1990s the British public services have experienced a revolution which has attracted the interest and concern of public service managers and unions around the world. The days when government officials marched in step up incremental pay scales are gone. Virtually all civil servants are now subject to new forms of performance management, or performance pay. This approach now extends to many other areas of the public services.

But are these new systems of financial reward as effective as their creators had hoped? This is one of the questions which prompted the substantial programme of research carried out by David Marsden and Stephen French under the auspices of the Industrial Relations programme of the Centre for Economic Performance (with financial assistance from the Anglo-German Foundation). It is the most extensive study of its kind, looking at performance pay systems in the Inland Revenue and the Employment Service; within the NHS; and in the teaching profession.

Chapter 1

Introduction and Overview

1.1 Introduction

From the mid-1980s, the British public services have led the world in pioneering new performance management systems. Major changes in management information systems have been introduced with a view to clarifying management's goals, and to analysing the efficiency with which resources are used in achieving them. The two civil service departments included in our study have been at the forefront in translating these into office and job level targets. In 1989, they were praised by the public sector efficiency watchdog, the National Audit Office, in its report on manpower planning in the civil service for their innovative use of efficiency benchmarking between offices (NAO 1989). For hospitals and schools a similar management revolution has taken place. In the NHS 'internal market', hospitals now have to contract for their key business with general practitioners and health authorities with the clear message that if they cannot do so competitively with other health care providers they will lose their contracts. At the time of our survey, one such NHS trust hospital, the Anglian Harbours NHS Trust, was faced with closure after losing two major contracts. This has the effect of forcing hospital senior management to look very carefully at the efficiency with which NHS services are provided. In many state schools, a comparable process of devolution of management and financial control to school heads and governing bodies has taken place giving head teachers both new opportunities and new responsibilities in running their establishments. Although in public debate much has been made of the 'ideological' motivation of Mrs. Thatcher's and Mr. Major's governments, the high cost of public services in the national budgets of all countries, and the increasingly complex demands placed on them by their citizens, have been at least as important a driving force behind the reforms. It is almost certainly the latter which explain the world-wide interest in the success or otherwise of Britain's public service reforms.

None of the critical management changes introduced in the past decade and a half can really be expected to work unless there are corresponding changes in the way public servants approach their work, and think about the use of the resources at their disposal. Performance related pay has played a central role in the reform of performance management within the British public services. It is now applied to practically all of the civil service, large parts of the education sector, and in a small number of NHS hospital trusts. In these organisations it has replaced the traditional system of length of service increments under which employees marched in step up to the top of their respective pay scales where they then stayed unless they gained promotion. Although, in theory, such increments were never automatic, in practice, as the 1982 Megaw Inquiry in Civil Service Pay observed, the procedures for withholding increments were rarely if ever used.

There have been a number of reasons for moving to performance related pay, three of which stand out:

- to promote a change of management culture, and in particular, to get staff to think more about the objectives of, and cost constraints on, their organisations;
- to motivate staff better by making annual salary increments dependent on performance rather than length of service; and
- to introduce a greater element of pay-cost flexibility and discretion more appropriate to management of smaller units.

The first systematic study of performance pay across the public sector

Our study is the first one designed to evaluate the effectiveness of performance related pay across a wide range of public sector services, and so has a critical message for all those concerned with the reform of public service management. It is also one of the few systematic attempts to evaluate the impact of performance pay on motivation in the public domain¹. Even in the private domain, Cannell and Wood's (1992) IPD/NEDO survey of pay systems in UK organisations, like that of Thompson (1992) on performance pay, found that very few undertook any systematic evaluation of their schemes. In the US, the Wyatt (1989) survey found that less than a third of organisations had undertaken any kind of survey work. Most relied on managers 'keeping their ear to the ground'. Such evidence casts serious doubt on the value of one of the commonest ways of surveying the effectiveness of performance pay schemes: asking top managers how well their schemes are working. Whatever might be the potential biases involved reporting on one's own scheme, this lack of systematic evaluation means that many top managers' views are not based on sound evidence. No doubt they will be aware of certain problems, and the Wyatt survey showed most were quite critical of their schemes, but as will be seen in this study, the effects are quite complex, and the points at which problems emerge may be far removed from where the basic problems lie. For example, as will be seen in our Employment Service study, the much reported inflation of job placements could be seen as a technical problem of poorly designed performance monitoring, but our evidence suggests the malaise went much deeper.

In designing our study, we chose to conduct case studies in six parts of the public services: two government departments, two NHS trust hospitals, and among primary and secondary school head teachers. In this way, we obtain a wide diversity of types of public service organisation, from large government departments to small primary schools, and across a wide range of types of occupational activity, from the highly professionalised health service occupations, to office workers in the civil service. We also include a good cross-section of staff in management and non-management positions. Our study also covers a number of different kinds of performance pay system, enabling conclusions to be drawn about the relative merits of different kinds and designs of scheme.

In contrast to many previous studies of performance pay, which ask senior managers to rate the effectiveness of their organisation's schemes, our own survey asks the employees themselves and their line managers.

In judging the effects of performance pay we measure two main outcomes:

- employees' views on how their scheme has affected their own motivation and that of their colleagues; and
- the judgements of line managers who carry out appraisals as to the effects on staff performance².

1. Other recent British studies include an earlier one of the Inland Revenue by Marsden and Richardson (1992 and 1994), one by Thompson of local government staff (1993), and of health service managers by Dowling and Richardson (1997).

2. We do not have this data for school head teachers.

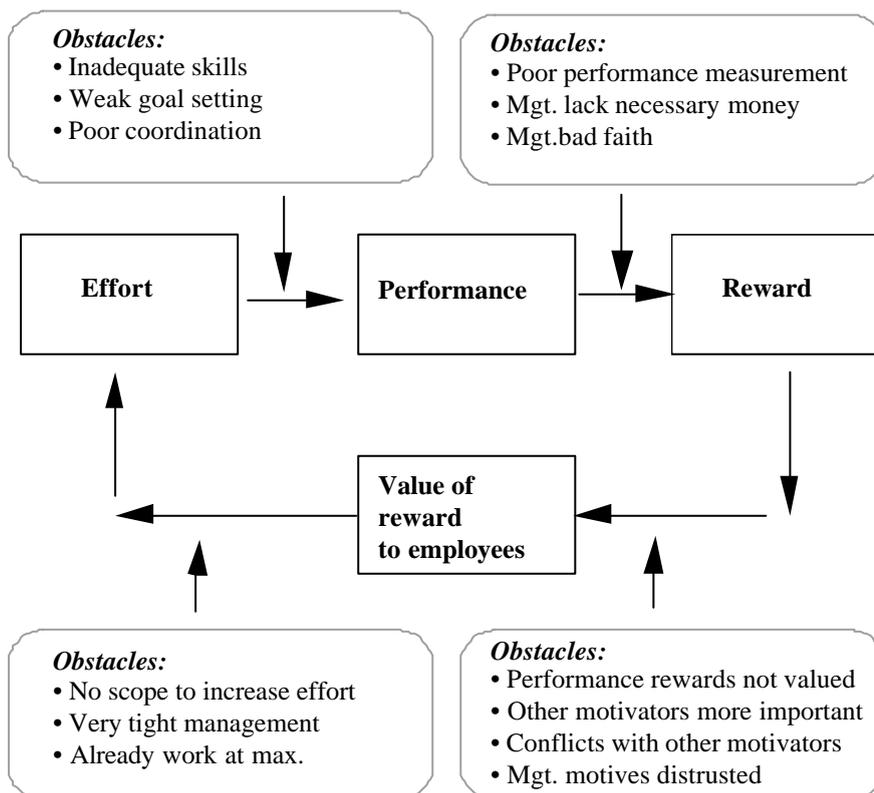
The latter group are especially important. If there is any effect that is directly attributable to performance pay they should see it because they are in the front line of their organisations' performance appraisal systems.

All of our surveys relate to staff views at one point in time, except in the Inland Revenue where we were able to make over-time comparisons, following up the results obtained by Marsden and Richardson five years earlier.

Analytical framework

In designing our questionnaire, we took our general analytical framework from 'expectancy theory' as it is very flexible and its proponents, such as Lawler (1971), claim that it can encompass most of the main psychological theories linking work motivation and performance. It is also very close to the models used by economic theory (eg. Milgrom and Roberts 1992, Lazear 1995), and perhaps more importantly, is close to the philosophy underlying many performance pay systems. Thus, if performance pay is to work, then it should do so for the kinds of reasons expectancy theory highlights, and if it is found not to do so, then we know we have covered the main questions to which the theory needs an answer.

Figure 1.1
Outline of the 'expectancy' framework



The analytical framework can be summarised as in Figure . For performance pay to succeed in motivating employees to higher effort (or care) a number of conditions have to be met: their effort must translate into better performance, that performance must be recognised and rewarded by management, and the reward must be valued by the employee. A break at any point in

the circuit can lead to a breakdown in the expected motivational effects of performance pay. Figure 1.1 also provides some illustrations of the kinds of obstacles that can occur at each link in the chain. Greater effort may not lead to better performance if employees lack the necessary skills, or if management is poorly organised. Performance may not be rewarded because management are unable to measure it accurately, or because they lack the money to do so. Whatever the actual state of affairs, the important thing for expectancy theory is that employees should believe that the linkages are solid and that rewards will follow from their increased effort. The next link may be especially important in the public services, namely employees should value the rewards offered for improved performance. Finally, even though the rewards may be valued, employees may not believe their jobs give them any scope for increased effort. They may already be very tightly supervised and have little discretion in their jobs, or they may already be working at what they consider to be an appropriate standard.

Thus although tying pay to performance may at first sight appear a simple and logical process, in practice there is a large number of problems that management has to overcome. The framework as outlined may be something of an 'ideal world' model and it may seem unrealistic that all these conditions could be fulfilled in any organisation. Its main purpose in our research is to direct attention to potential problem areas should it be found that performance pay does not have all the desired effects, and in that way we may identify at least some of the immediate causes of problems.

The complexity of the linkages between pay and performance are such that only well-thought out schemes have any chance of success. In warning how to 'ruin motivation with pay', Hamner (1975) stresses the many pitfalls in a scheme's operation, as does Pearce (1987) in explaining 'why merit pay doesn't work'. However, the schemes we examine in the British public service are not naïve, and follow many of the canons of current 'best practice' as outlined by the ACAS advisory booklet on Appraisal related pay (ACAS, 1990), the Institute of Personnel and Development, leading pay consultants such as Armstrong and Murlis (1994).

In all the organisations we study, individual members of staff are assigned their own individual performance targets in the appraisal process which, in theory at least, should also take account of training needs and problems of coordination with other staff. Moreover, the targets against which performance is assessed should be agreed between members of staff and their line managers.

There are also extensive measures designed to ensure 'procedural justice' within the scheme which a number of studies have shown affects the legitimacy staff accord even to unfavourable ratings (Cropanzo and Fulger, 1991). All of the schemes provide some form of appeal procedures against appraisals felt to be unfair, and two civil service departments undertake extensive checks between offices to ensure overall consistency of standards, as does the trust with the individual scheme. The use of indicative distributions of appraisal ratings and of budgets from which performance pay is awarded could also be seen in this light: a guarantee of management's good faith that it will award a significant number of good ratings and that it will indeed pay up at the end of the year. It was doubtless for this reason that the agreement setting up the first Inland Revenue scheme in 1988 included a clause indicating how much management was expecting to pay out under the scheme. Although collective bargaining may be regarded by some as inimical to a 'performance culture', joint procedures for monitoring and appeals can make the outcomes appear more legitimate by making them less dependent on management.

Whether employees value the rewards is perhaps harder for a scheme to influence, but as will be seen shortly, our own surveys, and those of others, show that apart from head teachers, public servants accept the principle of linking pay to performance, and most believe their work provides a valuable public service. Basing staff performance targets on individual agreements with

line managers should, in theory, give staff the opportunity to air their views on the priorities for their jobs, and management, an opportunity to explain the reasons for its targets.

Finally, although a substantial minority of line managers in our sample believe performance pay problematic because many staff do not enjoy enough discretion in their jobs, there are also many staff who do, and it is very likely, given the large number of professionals employed, that job autonomy is at least as great as in many private sector organisations.

Because we are looking at different types of 'best practice' performance pay scheme, our research is able to provide answers to the effectiveness of performance related pay in the public services, and what can be learned about improvements in performance management.

Choice of sectors

The choice of sectors for our study was motivated by the desire to look across the full diversity of public service employment while at the same time building on an earlier study by Marsden and Richardson which would provide also a comparison with earlier years. We therefore chose, in addition to the Inland Revenue, the Employment Service. Being more like other large government departments, which now have agency status, it should be possible to test how far the results for the Inland Revenue are typical of other large government departments. The ES had the added advantage of having adopted a different kind of scheme to that of the Revenue, one based on 'Equity Shares'. The IR scheme awards performance pay purely on the basis of evaluated performance, with no quota system to control costs, whereas the ES scheme awards, for each level of performance, a predetermined number of shares of a total performance pay kitty that has been agreed with the unions.

In the National Health Service, our choice was limited to the small number of NHS hospital trusts that have adopted performance pay. By an initial survey we tracked down eleven trusts that operated some kind of scheme, and of these only seven did so for the majority of their staff. The two trusts chosen had schemes that had run for about three years, and which had therefore been in operation long enough for staff to have reached an informed judgement of their impact. Of the two trusts studied, one operated an individual performance pay scheme, and the other, a trust-wide performance bonus. Their schemes covered all staff except doctors.

In the education sector, the most important area to study in terms of its size is that of schools. There we chose to study performance pay for head teachers. This was partly out of necessity as the scheme for classroom teachers was not operational at the time of our research, but also we felt that head teachers, who have had performance pay for several years, are a group with much greater autonomy in their work than the other groups of public servants in our study.

The sectors chosen also offer a wide range of different kinds of problem in developing performance measures that are useful to management and acceptable to staff. Performance measures need to be both valid and reliable. That is to say, they should measure the most relevant dimensions of performance, and they should do so with a minimum amount of error. Neither problem is trivial.

Determining the relevant dimensions of performance has been a major area of controversy across the public services as staff and their representatives have often argued that quantity is being stressed at the expense of quality. The way these problems emerge is of course different in each of the sectors we have chosen to study. In the two civil service departments avoiding mistakes in tax assessments or finding more suitable job placements may seem part of the quality staff can offer to the public, but the time taken in doing so always has a cost. In the hospitals, the quality of patients' stay in hospital and the attention they receive from staff has a cost. In hospitals, management faces the additional pressure that the professional associations have strong ideas about the desirable

quality of care to be provided, and this does not always square easily with either budgetary pressures or with multi-disciplinary patterns of working, such as care teams. In schools, quality of education is an even more controversial subject. Thus, in deciding on valid criteria for performance measurement management is facing much more than a simple technical issue, but one which relates to people's beliefs about the goals of the service they work for. As will be seen in the case studies, a great many staff are strongly committed to a certain idea of public service, and there is much disagreement about the suitability of the targets chosen by management.

Reliability of performance measures is also a difficult issue. Unless such measures are reliable, performance pay will be more like a lottery than a payment system. Finding measures which both command a degree of consensus as to their validity and are also reliable complicates the issue greatly. As we pass from the civil service, through the NHS to school head teachers, the task becomes progressively more difficult, and is no doubt reflected in the nature of the different kinds of scheme adopted. In the civil service, it has proved possible to establish very large-scale schemes covering many thousands of employees. In contrast, in the NHS, individual local initiatives have been necessary to get performance pay started. In schools, despite central government guidelines, the precise details of performance criteria have often been worked out by the governing bodies of individual schools and their head teachers. In this last case, our survey results show, for example, a strong preference for performance criteria that are felt to be valid over those which are felt to be most reliable and easiest to measure objectively.

1.2 The Survey

Because we were interested in the effects of performance pay on staff motivation and their relations with management and other colleagues, we decided to use a questionnaire survey sent out to individual employees, and their line managers. The questions were developed in discussion with management and staff representatives, and were piloted on groups of staff and lay representatives.

In the two trust hospitals our survey had the active support of management and staff organisations, and the questionnaire went out with a joint letter from both parties. In the two civil service departments, management expressed interest, but declined to support the survey, and so we had to draw our sample from the union membership records. In the Inland Revenue, the rate of membership is very high, around 90%, but in the Employment Service it is somewhat lower, at about 60%. There our questionnaire was sent out with a covering letter from the union general secretaries explaining its purpose. For the head teachers, we again worked through the head teacher professional associations drawing our sample from their membership records. Among school heads and deputies also membership is very high, at about 80%.

The questions mostly invited responses on a five point 'Likert scale' ranging from 'strongly disagree' to 'strongly agree', and the questionnaires for each survey and their full results are shown in Appendix 2. In individual chapters, to keep tables simple, we have mostly focused on summary details such as reporting only 'agrees' and 'disagrees'.

Our questionnaires also included a section for staff to give written answers to certain questions. Although not extensively analysed in this report, they have provided a valuable insight into some of the other replies.

With this kind of survey method, there is an inevitable worry about self-selection bias in response. Do those who respond have a particular axe to grind for or against performance pay, or are they disproportionately people who consider themselves to be 'winners' or 'losers' under their schemes. Our response rate was generally between 20% and 40%, we therefore undertook a

number of checks against data we had on job grades, gender, and age, and on appraisal marking. These are described in detail in Appendix 2. Because response was higher among staff in higher job grades, we weighted our civil service and trust hospital replies by staff group. On our check against appraisal ratings, our sample mirrored the actual ratings within the organisations very closely so there was no reason to believe we had a disproportionate number of ‘winners’ or of ‘losers’. For the Inland Revenue, we had the additional opportunity of comparing with the 1991 sample which had achieved a much higher response, and we found the pattern of non-response very similar. The main reasons we could identify for the lower response were the length of the questionnaire — completion could take 20-30 minutes — and that staff were not given time off work to complete it. The hospital response may have been depressed additionally by the number of staff away on holiday in August.

Finally, we gave a number of feedback presentations to the organisations which had supported our research. This proved a valuable opportunity to discuss interpretations with management and staff.

1.3 An Overview of the Findings Across the Three Sectors

Our key findings can be summarised as follows:

- most staff, except head teachers, agree with the principle of performance pay;
- up to a half of line managers in the civil service and hospitals believe PRP has raised productivity, improved goal setting, and to a lesser extent, raised quality;
- many staff believe it has improved goal setting;
- most staff believe it has not raised their own motivation;
- most staff believe PRP is divisive, undermines morale, causes jealousies, and inhibits workplace cooperation;
- many believe line managers use PRP to reward their favourites;
- many believe higher management unfairly restricts performance pay by means of quotas;
- many line managers believe performance pay has reduced staff cooperation with management;
- group PRP scores much better for morale and cooperation than individual PRP, but less well on goal setting. Other differences between PRP schemes had little effect;
- there are strong reasons to doubt the sustainability of the productivity improvements, especially in the civil service.

Summary figures are shown in Table 1.1. Note that we report only one dimension of the replies, the percent who ‘agree’ and ‘agree strongly’. Full details of ‘disagrees’ and ‘no views’ are reported in the individual chapters, and in the summary of replies in Appendix 2.

Table 1.1
Summary of main replies

Question: % replying 'agree'	Civil Service			NHS trust hospitals		Schools	
	IR-91	IR-96	ES	Individual PRP trust	Group PRP trust	NAHT, primary	SHA, secondary
Pay and work orientations							
PP a good principle	57	58	72	62	52	29	42
I contribute to an important public service	62	56	64	84	89	94	92
Personal satisfaction of my work is enough incentive	63	32	50	75	61	Na	na
Improved goal setting and higher productivity							
PP makes managers set work targets more clearly*	27	32	50	53	31	36	29
Line manager views:							
PP has increased quantity of work done	22	42	28	52	34	Na	na
PP has increased quality of work done	19	17	18	39	22	Na	na
Relations with management							
Management use PP to reward their favourites	35	57	41	41	27	Na	na
There is a quota on good assessments*	74	78	74	57	36	48	45
PP has made me less willing to cooperate with management*	10	30	26	19	14	7	4
Line manager views:							
PP has reduced staff willingness to cooperate with management	20	45	39	30	27	Na	na
Motivation and relations with colleagues							
PP an incentive to work beyond job requirements	21	18	12	32	22	8	10
PP causes jealousies	62	86	78	61	51	58	70
PP has undermined morale	55	81	78	52	47	Na	na
PP discourages team working	Na	67	77	64	61	51	54
Line manager views:							
PP bad because staff have insufficient control in their jobs	46	57	64	41	44	Na	na

* For head teachers the question focused on governing bodies and whether their pay policy would allow a performance enhancement even if merited.

1.3.1 General attitudes on pay and performance

One of the most striking responses across our case studies was the degree of support for the principle of linking pay to performance. In one of the civil service departments over 70% of staff were in favour of the principle, and despite the results to be discussed later, even in the Inland Revenue, almost six out of ten employees supported the principle. Only among school head teachers, and especially those in primary schools, did support begin to fall away seriously, and large numbers judge it to be 'fundamentally unfair'. There was certainly no sign that people replied to our questionnaire because of any ideological or impassioned opposition to the principle of performance pay.

The general acceptance of the principle may seem all the more surprising given the strong intrinsic rewards of the work, and the widespread belief that it represented an important public service. Both of these might have led one to expect hostility to performance pay either as an impertinence because it implies staff are motivated to additional effort by the money rather than the inherent interest of their work, or because a practice that originates in the private sector might seem inappropriate, or even immoral, in the public sector. One might also have expected stronger opposition to the principle in view of the large numbers of staff who believe the nature of their work is hard to measure, and so inappropriate for performance pay.

1.3.2 Improved productivity and goal setting

In the civil service and the trust hospitals, many line managers carrying out appraisals, and therefore, who are well placed to judge the immediate effects of performance pay on staff performance, report a resulting increase in work quantity. If we assume that line managers reporting an increase in work quantity supervise roughly similar numbers of staff to those not doing so, then we could say that in the Inland Revenue, roughly 40% of the staff are judged to be working harder. In the trust with individual performance pay the figure is even higher at over 50%. The effects on quality of work are everywhere smaller, but are again not negligible. The question could not be asked of head teachers.

In focusing on those who reported an increase in productivity as a result of PRP, as we do in Table 1.1 above, it is important to remember the large number of other line managers who reported no such increase (Table 1.2). From our survey evidence, we do not know whether these witnessed offsetting drops in productivity, or whether they simply believed there had been no increase. For the Inland Revenue and the Employment Service, however, there is evidence that the overall workloads of the two departments have increased, or at least been maintained, whereas the number of staff has significantly declined. From this we infer that the 'disagrees' on whether staff productivity has risen are primarily reporting no change in work quantity rather than a decline. Given the pressures on the National Health Service generally, and that our two trust hospitals were among the 'good performers' on the national performance tables, it seems unlikely that staff productivity has fallen overall, and hence that there too, the 'disagrees' mean 'no effect' rather than a fall in productivity which has to be set against the rise in productivity reported by the 'agrees'.

Table 1.2
PRP has led to an increase in the quantity many of the staff do: Line manager views

	Strongly Disagree	Disagree	No view	Agree	Strongly agree
Inland Revenue '91	9	62	7	19	3
Inland Revenue '96	5	46	7	38	4
Employment Service	6	53	14	25	3
NHS individual PRP trust	5	32	11	41	11
NHS group PRP trust	6	43	17	25	9

The mechanism by which PRP has raised productivity is through improved goal setting for individual staff. The most positive effect to emerge from the judgements of staff has been to improve the clarity with which managers set work objectives. If we include the clarity with which school governing bodies determine targets, then improved goal setting was true of all six case studies. Head teachers gave similar replies concerning their relationship with their schools' governing bodies. The reason for this lies in the use of appraisal as a basis for performance pay, and echoes similar findings on the importance of effective goal setting by Dowling and Richardson (1997) among health service managers. On the whole, the appraisal procedures seemed to be working, and in most cases, staff believed their most recent appraisal a fair reflection of their performance.

1.3.3 Staff relations with management

Nevertheless, there was also widespread suspicion of both line and senior management in the civil service and hospitals. Many thought that managers frequently used performance pay to reward their favourites despite the controls on ratings. Suspicion of senior management showed up in the large numbers who believed the operation of quota systems meant that many who deserved rewards were effectively denied them. Outside the two civil service departments, this suspicion of management did not go so far as to cause many of the staff to feel less willing to cooperate with management. In the Inland Revenue, we were able to check whether such suspicion had been induced by performance pay, or whether it was just part of an established attitude to management in what are often rather impersonal organisations, or a manifestation of 'them and us' attitudes from the wider society whose persistence in Britain has been noted by Kelly and Kelly (1991). In the Inland Revenue, comparison with our 1991 results shows a big increase in suspicion of favouritism, and a tripling of those saying PRP has reduced their willingness to cooperate with management. The percentage believing there is a quota is even more striking for the fact that top management has issued very explicit instructions to line managers that there should be none. This is clearly not the result of general social attitudes, but of a malaise within the organisation which the staff attribute to performance pay.

Partly as a result of the perceived deviousness of management, but also because of the pressure to raise productivity, performance pay has made the job of management harder. This can be seen from the number of line managers reporting that performance pay has made staff less willing to cooperate with management, more than doubling in the Inland Revenue to 45%.

1.3.4 Motivation and relations with colleagues

For most staff, support for the principle of performance pay does not translate into a positive willingness to work harder or to improve work quality. Only a rather small minority, between a tenth

and a third depending on the service, said it had given them an incentive to work beyond the requirements of their jobs, and most believed it had not.

The rather modest incentive effect has to be balanced against the widespread damage done to relations between colleagues and to morale. Large numbers in the civil service and the hospitals believed morale had been undermined, that performance pay caused jealousies among staff, and that it undermined team-working. The latter problems are particularly important because they conflict with one of the other reforms management has been to try to foster: a more team-oriented approach to work. In the civil service it has sought to encourage staff to work more flexibly; and in hospitals, to attach less importance to long-standing professional demarcations.

1.3.5 Group versus individual performance pay

Our study has covered a wide variety of different designs of PRP schemes, but the only difference that appears to have had any profound effect was that between group and individual performance pay. In our chapter on the NHS trust hospitals, the most important finding is that the group-based trust-wide scheme used by one of the hospitals caused much less damage to work relations than the individual scheme. Especially when one confines attention to those on trust contracts, and therefore directly covered by the scheme, it caused less jealousies, less harm to team working and morale, and less damage to cooperation with management. It also appears to make an element of cost flexibility to preserve jobs more acceptable.

Its main weakness lay in less effective goal setting, and a smaller effect on productivity. There are two reasons for this. The trust-wide bonus did not focus on individual work objectives; and separating performance pay from appraisal removes one of the incentives to staff and line managers to do their appraisals. On the other hand, separation reduces the risk that pay will contaminate appraisal.

1.4 Outcomes and Sustainability

Our first conclusion is that performance pay has caused a substantial minority of staff in the civil service and in one of the hospitals, even a majority, to work harder. It has caused a smaller percentage of staff to raise work quality. We have no evidence either way for head teachers.

The chief mechanism seems to be through improved goal setting rather than any positive motivating effect of linking pay to performance. Although logically distinct, the two processes may not be easily separable. As will be seen, the hospital case studies show that the need to reach a decision on pay awards forces line managers and staff to complete appraisals on time. This does pose a dilemma because the view of management at the group PRP trust also seems vindicated: that pay contaminates appraisal, especially by the suspicion in the minds of many staff that management manipulate the awards unfairly.

Our study brings out a fundamental ambiguity in the appraisal process, especially when it is linked to pay. On the one hand, appraisals and goal setting serve as an occasion for staff to discuss and agree objectives with their line managers, and thus promote better performance by giving everyone a clearer idea of what they should be doing. This can be a very positive experience, and no doubt explains why so many staff in the two hospitals were very positive about their reviews.

On the other hand, they are also seen as the vehicle through which management may pressure workers into higher performance. Despite the language of agreed objectives, very many civil servants felt pressured into accepting objectives imposed by management, and thought that in practice everyone had the same objectives: increase quantity. Given that kind of pressure, one can

understand why so many staff seem to have increased output, but at the expense of lower morale, jealousies, poorer cooperation among staff, and in the Revenue, a reduced willingness to cooperate with management.

Does all this matter if output increases? There are three reasons for thinking it does:

- sustainability of the performance increase;
- perverse effects of 'procedural justice' measures;
- vulnerability of the pay and appraisal system to demoralisation.

The first problem is whether higher output can be sustained over the longer run if it is primarily the result of increased management pressure without the support of positive motivation from staff. Large numbers of civil service staff still believe their job is worthwhile as it contributes to an important public service. So there is clearly a fund of goodwill and commitment to the service which no doubt will help sustain motivation for a time. However, the number of Revenue staff replying that the personal satisfaction of their work is sufficient incentive halved between 1991 and 1996. There is of course no proven evidence linking job satisfaction to job performance, although there is some evidence linking satisfaction to the willingness of staff to act as good 'organisational citizens', and to go beyond a narrow conception of their duties (Organ, 1988). Our comparison between 1991 and 1996 suggests that this element is under strain.

The second problem concerns the paradox that the very measures that management, and sometimes the union, installed to ensure a degree of procedural justice have had the opposite effect. Procedural justice is important because, it is argued, employees are more likely to accept the fairness of adverse appraisals if they believe the procedures are fair. For example, if they have a right of appeal, if the outcomes are generally seen to be fair, and there are guarantees of a real likelihood of being awarded performance pay. The paradox is that in our case studies where pay is linked to individual performance, the measures designed to ensure procedural justice are seen not as signs of management's good faith, but rather as evidence of its deviousness. Cross-checking between offices is not seen as a means of preventing favouritism and discrimination, but rather as depriving those who deserve performance pay of their just reward. The 'quota' is not seen as a guarantee of a minimum amount of money being available for the performance pay scheme, but rather as proof that management will refuse deserved rewards.

The third problem is potentially the most serious: that the performance management system itself can become demoralised. If staff feel it is imposed on them, and that the targets do not reflect what they consider the most relevant aspects of their work, then it becomes vulnerable to abuse. This happened dramatically at the Employment Service, and was reported in the national press a few weeks after our survey. The situation was sufficiently serious for the then government to set up an internal inquiry, and according to Guardian's sources, job placement figures, on which performance pay partly depended, were being inflated nationally by up to 30%³. What had started as a minor abuse had rapidly escalated to the extent that several local offices across the country were involved, and there were cases of double-counting of job placement lists between offices, something which would have involved management as much as staff.

Technical improvements in monitoring, such as random statistical checks of reported placements, and 'mystery shoppers', can of course be used to limit phoney placements, but the ill goes deeper than the design of management control systems. As can be seen in our survey, many staff have lost any faith in the relevance and legitimacy of their performance targets, seeing the

3. Guardian (29.3.97), 'Jobcentres fiddled figures to boost employment statistics'; Guardian (1.4.07) 'McDonalds' job data abused'; Guardian (16.4.97) 'Fake job figures scandal exposed'.

exercise as more of a numbers game than an aid to job seekers. Under such circumstances, any performance management system becomes very vulnerable to breakdown.

Among the positive lessons from our study has been the relative success of the group-based performance pay scheme in sustaining morale, cooperation and a degree of intra-organisational solidarity among the staff.

Our findings also pose difficult problems to the unions and professional associations in the public services. A great many public servants approve of the principle of linking pay to performance, which makes outright opposition difficult to sustain. Yet many also believe the schemes have been unfair in their operation, and no doubt expect their representatives to do something about it. But what should be done is more difficult to determine.

Clearly, one service that unions and professional associations can and do offer their members is a means of ensuring greater fairness in the operation of pay systems, and a channel for pursuing grievances. A very important component of this is the development of mechanisms to ensure procedural justice so that staff do not feel they will be denied rewards unfairly. Yet a worrying paradox emerges from our findings. The very measures that might be thought to offer some kind of procedural justice, especially under the individual schemes, are widely seen as an indication of management's deviousness rather than as a guarantee of fair treatment. For example, the 'quota' in the 1988 Inland Revenue agreement, which was in part an undertaking that management would pay out real money, was widely seen as a quota on good appraisals. Another example is that the mechanisms to ensure consistency and lack of discrimination in appraisals were seen as a chance for higher management to withdraw good appraisals that had been awarded by line managers.

Although unions have traditionally been reactive to management proposals rather than taking the initiative, the public services are an area ripe for a positive dialogue. Membership density is high, the staff and managers believe strongly in public service, and there are no shareholders who might cream off the rewards of greater efficiency. Our survey results show that performance pay has contributed to distrust of both line managers and higher management, and soured work relations. As individual staff feel their appraisals have been mostly fair, this suggests that much could be done to improve the perceptions and mechanisms of procedural justice within the performance management systems. This would both benefit the public services, and improve the atmosphere in which many staff spend their working hours.

Chapter 2

Performance Pay at the Inland Revenue: 1991 and 1996 Compared

2.1 Introduction

The Inland Revenue, the British tax service, has been at the forefront of the changes in pay systems within the Civil Service. It was among the first government departments to have performance related pay, introduced by the 1988 Pay Agreement. Despite reductions in staff in recent years through job losses, early retirement schemes and transfer of functions to the private sector, it remains one of the larger departments with about 56,000 staff. Most are directly employed in assessing and collecting taxes. Local offices are organised into 10 regional “Executive Offices” (including Northern Ireland). There are also a number of smaller executive offices which deal with specialist areas of taxation and a Valuation Office Agency which deals with the rating of property.

Unlike most other Government Departments, it already had its own separate pay and grading structure before pay delegation in the 1990s.¹ Staff were organised primarily by an independent departmental trade union, the then Inland Revenue Staff Federation (IRSF).² The IRSF union recently merged with the National Union of Civil and Public Servants (NUCPS) to form the Public Services, Commerce and Taxation Union (PTC). Union membership has remained consistently high in the Department, with over 90% of employees organised.³

The survey reported in this chapter, carried out in November 1996, analyses staff judgements of the current performance pay scheme and compares them with the results of an earlier survey of Inland Revenue staff carried out in 1991, reported in Marsden and Richardson (1991, and 1994). Although there have been some major changes in the Inland Revenue's performance management system since 1991, the same basic principles apply. The scheme is based on annual goal setting and performance appraisals for individual staff by their line managers, and depending on the results of the appraisal, staff receive larger or smaller annual pay increases. The main changes, some of which addressed problems highlighted by the 1991 survey, have been improved goal setting, the abolition of incremental pay scales, and the explicit removal of any quotas on good appraisals and performance pay.

In this chapter, we ask a number of questions:

- What are employees' attitudes to performance pay?
- Does performance management help set clear work objectives?

1. The Revenue grading structure mirrored that of the rest of the Civil Service. Thus for each of the traditional Civil Service grades (e.g. Administrative Assistant (AA), Administrative Officer (AO), Executive Officer (EO), Higher Executive Officer (HEO) and Senior Executive Officer (SEO)) there were Revenue equivalents (Revenue Assistant (RA), Revenue Officer (RO), Revenue Executive (RE), Collector Higher Grade (CHG) and Inspector, and Regional Collector and Inspector (S). This resulted in Revenue grades gaining pay leads over employees in the rest of the Civil Service.

2. Senior staff were organised by the First Division Association (FDA), the Institution of Professionals, Managers and Specialists (IPMS) and the National Union of Civil and Public Servants (NUCPS). The NUCPS and the Civil and Public Servants Association (CPSA) also organised a small minority of remaining staff.

3. Membership stood at 91.65% at 31.12.95

- Does it assist in dealing with poor performance?
- Do staff consider the system fair?
- Do staff feel that opportunities under PM are equal?
- Does performance pay motivate staff?
- What are its performance outcomes, and how does it affect team working and cooperation with management?

2.2 Performance Management at the Inland Revenue

Performance pay was first introduced into the department as part of the 1988 Pay Agreement. That scheme can be seen more as an ‘add-on’ to the existing performance appraisal system.⁴ Performance Pay was awarded in the form of additional movements up the existing incremental salary scales, and there was no financial penalty for poor performance. Performance was evaluated against a common set of criteria applied to all jobs, and so not equally applicable to all jobs, rather than against individual targets.

The 1993 Pay Agreement, which formalised pay delegation in the department, introduced the current system of performance related pay, Performance Management. It combines the processes of goal-setting, appraisal, and pay incentives for all their staff individually. Its goals, as set out in the Inland Revenue staff manual (*The Guide*) are:

- to improve the quality of management, especially the process of goal setting;
- to motivate staff and release their full potential;
- to help them focus on what is really important in their jobs;
- to achieve a higher level of job satisfaction and recognition; and
- to lead to further improvement in the Revenues performance.

The system was based on two agreements; one for the senior grades and one for majority of staff. The agreement for the senior grades is still in place although the most senior grades are now covered by a central PRP scheme for all Senior Civil Servants. The Valuation Office, as an Executive Agency attached to the Department, has a separate agreement.

2.2.1 Performance assessment

Performance is assessed against a ‘Performance Agreement’ drawn up by individual jobholders and their line managers. *The Guide* emphasises the importance of this ‘contractual principle’. The agreement should take account of individual capabilities, and set ‘stretching’ objectives for the officer (rather than meeting a particular norm for the job). It should also contain the officers’ key responsibilities and set both quantitative and qualitative objectives. To aid both parties in identifying the latter, the following are given special emphasis:

- the reason for the particular job;
- how it links to the Revenues ‘Four Cs: customer service, compliance, cost efficiency, and caring for staff;
- the role of teamwork; and

4. There was a separate appraisal system for promotion purposes.

- identifying customers and what they want;
- and in general, quality.

Throughout the year managers should meet their staff individually to discuss how their work is going. This should allow for changes in duties and is meant to keep staff on target and ensure that they have an idea of what is likely to be their final assessment. Additionally, if an officer is in a post with greater than average demands, the post can be determined as ‘extra loaded’.

At the end of the year, staff are appraised by their line managers as to how far they have achieved their objectives, and classified as follows:

Exceed:	having achieved performance well above that agreed
Succeed:	having achieved what the person set out to do
Not Met:	performance below that agreed

The appraisal takes account of whether jobs have been extra loaded or not.

When individual staff cannot reach a Performance Agreement with their line manager, an agreement may be imposed (without their signing). This should afford a limited degree of protection should the assessment be unsatisfactory. Where there are disputes over the assessment, there is an appeals system which ultimately can go to an independent committee involving management and unions. This was set up after the First Review of Performance Management in 1994.

2.2.2 Performance pay

The old grading structure was replaced by a system of pay bands and pay spans. Five pay bands were set up: A-B for the senior grades, and C-E covering the majority of staff. Jobs were then allocated to pay bands following a job evaluation exercise. Most pay bands are subsequently divided into two or more spans. Movement between pay bands is governed by promotion, and that between pay spans, by a formal procedure for progression. Once staff reach the top of a pay band or span additional performance pay increases are not consolidated into basic salary. The pay ranges for pay bands after the 1996 award are given in Table 2.1.

Within a pay span, pay is determined by three factors:

- A performance assessment of “Exceed”, “Succeed” or “Not Met”
- The position of the employee within a pay band/span
- Whether the job is weighted as “normal” or “extra-loaded”

Table 2.1 Inland Revenue national pay bands 1995/96

Pay band	Job example	No. of spans	Min	Max	% rise: Min - Max
C1	Compliance manager, collector in charge	2	18,400	28,200	53
C2	Welfare officer, accounts investigator	3	15,050	24,350	62
D	PAYE auditor, Schedule D Case Worker	2	11,400	19,725	73
E1	Revenue Officer, Personal secretary	1	9,200	14,550	58
E2	Telephonist, Clerical Assistant	2	7,150	11,800	65

Note: Pay structure for main PTC grades from 1 August 1996, national rates. Source: PTC. Bands B and above, in which PTC has some members, include tax inspectors, policy advisors and higher management.

For the purpose of calculating each individual's annual salary award, each pay span is divided into five layers. Following negotiations between management and unions, each layer is assigned a percentage increase for each of the performance assessment categories. The lower layers have received higher percentages because, under the old pay scales, there had been larger incremental steps for the lower paid staff.

Those whose performance is not satisfactory receive 'Not Mets' and are denied a performance award. Pay differentials are also established between those assessed as 'Exceeds' and those as 'Succeeds'. Those officers succeeding in an extra-loaded post are awarded the same percentage as an Exceed in a normal post. An officer exceeding in an extra-loaded post receives a higher percentage award. As an illustration, Table 2.2 shows the pay matrix for band D effective at the time of our survey.

**Table 2.2
Pay awards for pay band D**

Layer	General increase ('A')	Performance increase ('B')			
		Not Met %	Succeed %	Exceed %	Exceed in Extra-Loaded %
5	£175 +	0	3.4	4.8	6.5
4	£175 +	0	3.6	5.5	7.2
3	£175 +	0	4.2	6.7	8.1
2	£175 +	0	5.5	7.8	9.2
1	£175 +	0	7.1	9.1	10.5

Note: effective from 1 August 1996.

The system is notionally based upon an 'A' cost of living element and a 'B' performance element. The 'A' element is universally paid regardless of an officer's performance. However after an initial payment in the first year of implementation, there was no 'A' element in 1994 and 1995. In 1996 a one-off payment of £175 was agreed as an 'A' element, payable to all except those facing disciplinary action and adverse performance procedures.

The Guide stresses that there is no quota on performance pay, nor is there any fixed or recommended distribution of appraisal ratings. It states in bold: 'There are not quotas or guidelines for the number or percentage of the Assessment markings and loadings that should be given. Managers and jobholders should agree what Assessment marking and loading is deserved, solely on the basis of the jobholders performance' (*The Guide*, para 12.2). It stresses that good performance should attract its reward. When it appeared that some line managers were in fact operating quotas

during the first year of operation, top management stressed again to managers and staff alike that this should not happen.⁵

There is built-in monitoring of appraisal ratings and extra-loadings by higher management, and departmental managers are expected to assist their junior management colleagues carrying out appraisals to ensure there is fairness and consistency, and to ensure that equal opportunities are adhered to.

2.2.3 Issues arising out of performance management and the pay system

Mostly, when organisations introduce new performance pay systems there is a problem of transition from the old to the new system. Consequently, some of the reactions of staff to the new system reflect the difficulties of transition. There are always winners and losers and certain teething problems in such cases, and it is important to be aware of such factors as they might colour staff attitudes to the current PRP scheme.

The first such problem was that Performance Management was replacing fixed annual pay increments for staff: under the new scheme appraised performance is intended to replace length of service. This raises the problem of the speed of progression from minimum to maximum point on any pay band. Staff who found that progression was generally slower than under the increment system could well resent PM, not because they felt it was unjust to link pay to performance, but because their expectations of pay progression had been cheated.

Revenue management originally promised by that no-one would reach the maximum of a pay band/span later than they would have done under the old system of departmental pay scales. Since an increment was worth roughly 7% in pay terms for those at the lower end of the old pay scales for those in the middle management grades and the awards for those with Succeeds have been lower, officers have taken longer to reach scale maxima than they had originally envisaged⁶. This has been complicated the unions policy that pay span and band maxima should be increased in order to reduce the amount of non-consolidated pay. At the same time, minima have remained frozen so that officers formerly in civil service grades (usually administrative staff) still lag behind in pay terms.

A second, related, problem arising out of the scheme initially agreed was that of overtaking. Officers at the top of a layer were receiving higher percentage awards than those at the bottom of the layer above and were thus overtaking them, despite receiving the same assessments. This was caused in part by giving higher percentage increases for performance pay to the lower pay bands to compensate for the loss of what had been larger percentage incremental steps under the old agreement. The system was patched up, so that those moving into a higher level could not have a new salary which exceeded the officer at the lowest point of the new layer (who received the same assessment). The basis of the system is that overtaking is only possible as a result of higher assessments. As a consequence of this officers at the top of their layer have often had their pay restricted.

5. Chairman's Review of Performance Management, 1993.

6. New arrangements in the Inland Revenue: text of the agreement between HM Treasury and the Board of the Inland Revenue (on behalf of the Official Side) and the Inland Revenue Staff Federation, 29.1.1988. For Revenue Executives, the first half of their pay scale consisted of 7% increments, and the latter half, of increments dropping progressively to just over 5%. For Inspectors, they declined progressively from 6.6% to 4.0%.

2.2.4 Comparison with commonly accepted 'good practice'

As described, the Scheme builds in a number of features that seek to observe to the canons of the main theories of individual work motivation, and of good personnel practice as set out by ACAS (1990). Goal setting theory stresses the incentive effect of clearly defined and achievable goals over pay incentives, and considerable effort is devoted to this in individual staff-line management discussions (Latham and Locke, 1979) Equity theory predicts employees will seek to give a fair days work for a fair days pay, and the theory of the negotiation and agreement of individual work targets is that employees should consider them fair (Lawler, 1971). Finally, Expectancy theory predicts that individual workers will respond to financial incentives if they value the rewards, are able to enhance their performance, and believe management will then reward improved performance (Lawler, 1971). Again, the idea behind negotiated targets, as set out in the Guide, is that they should be stretching but achievable, and the appeals procedure should provide some guarantee of managements good faith, as should providing information for monitoring the overall working of the scheme to staff representatives. Most important, one of the main causes of perceived unfairness found in the 1991 survey, namely the existence of a quota on good appraisals was expressly ruled out in the Guide. When it appeared that some line managers were in fact operating quotas in the first year of operation, top management again stressed to staff and line managers alike that this should not be done⁷. Good performance should attract reward. It is, therefore, a serious scheme by the current standards of personnel practice, and so much can be learned from its success or failure.

2.3 Research Methods and the Sample

In 1996 we approached both Inland Revenue management and the PTC⁸, the trade union representing the main grades of staff, with a view to carrying out a questionnaire survey of staff attitudes to and experiences with performance pay similar to the survey carried out by Marsden and Richardson in 1991⁹. Although the management expressed an interest in the project, they declined to support it.

The PTC, whose membership in the Inland Revenue is roughly 90%, agreed to support the survey and a sample of around 4,000 members was randomly selected from the union membership database. Only in band B is PTC membership substantially below 90% because many staff are members of another union. The questionnaire was developed in consultation with the PTC and piloted with a group of experienced lay representatives in London. The questionnaires were then issued by the union direct to members with a pre-paid postage sticker for freepost returns.

Of the 4,000 questionnaires issued, 1195 questionnaires were returned. Three of these were spoiled. This represents a 30% response rate, lower than that of our 1991 survey. From our discussions with PTC and management, the most likely reasons appear to be that Revenue management did not this time allow time for staff to complete questionnaires during work hours, and the greater pressure of work owing to staff reductions and the introduction of Self Assessment.

7. Chairmans Review of Performance Management, 1993.

8. PTC: Public services, taxation and commerce union - resulting from the merger of the IRSF and NUCPS.

9. The 1991 survey was funded by the IRSF, and Revenue management cooperated with the research, drawing a stratified sample of 4000 staff from their personnel records and allowing the questionnaires to be distributed using the internal mailing service.

The profile of the current sample differs slightly from that of the 1991 survey. In 1991, the survey covered staff working in the Taxes (assessment) and Collection sections of the Revenue in grades up to and including Inspector. The current sample includes additionally some more senior staff in pay band B. Furthermore staff working in the administrative sections of the department, outside Taxes and Collection, were also sent questionnaires¹⁰.

A final difference between the surveys arises from organisational changes in the Revenue. The Department is now divided into Executive Offices, some of which are regionally based (covering taxes and collection work) and others, functionally based. This therefore replaces the regional breakdown given in the 1991 survey.

The response by pay band shows a good representation of all pay bands with the exception of band B. In that pay band, many staff, although covered by a similar agreement, are represented by another union. Otherwise, the response pattern across bands is very similar to that obtained in the 1991 survey, with a higher response among the higher paid bands, except for band B. Then too the response rate for the Inspectors was roughly double that for Revenue Assistants, declining from about 75% to 40-45% for the lowest paid staff grades.

Table 2.3
Analysis of Revenue staff, sample and response rate by pay band

Pay Band/Span	Revenue staff numbers	Revenue % Band/Span	in Sample %	Estimated response rate
B	2,926	5.2	1.9	*
C1	1,662	2.9	5.4	51.7
C2	5,475	9.7	17.7	51.7
D	12,862	22.8	29.9	37.1
E1	19,211	34.1	26.7	22.2
E2	14,213	25.2	18.3	20.6
Totals	56,349	100.0	100.0	28.4
Total sample			1192	29.8

Source: Inland Revenue, at 1.10.96 and sample. Response rates by pay band were estimated assuming that questionnaires had been distributed in proportion to numbers in each band as the sample was random. * response rate could not be calculated for Band B.

The sample also gives good representation of staff who received different performance appraisals.

10. As part of the re-organisation of the Revenue structure, many taxes and collection offices are being merged into New Office Structures (NOS). Executive Offices formerly organised by NUCPS include the Capital Taxes Office (CTO), the Enforcement Office, Stamps, Solicitors Office, and Finance Division. These now form a 'Constituency B' section of the PTC's Inland Revenue Group. Members working in the Valuation Office Agency (VOA) were not included in the survey, since a different performance management scheme is in operation in the Agency.

Table 2.4
Performance assessments in the IR during 1996, and in our sample

Assessment	IR results (May 96)	Sample (Nov. 96)
Not met	1.1	1.0
Succeed	76.5	67.3
Exceed	22.4	31.7
of which: Extra loaded	17.5	22.2

Source: 'One in three awarded better than succeed', Insight, July 1996, pp. 4-5, (results for Pay Bands B to E), and sample. Note: unweighted results.

The sample also gives a good regional spread across executive offices, by gender, reported ethnic background and full/part-time which are shown in Appendix 1.

Staff views shown in this report have been weighted to adjust for the differences in response between pay bands thus giving a clearer picture of for staff as a whole. The biographical data, which are also needed for methodological checks, have been left unweighted. In practice, the overall effect of weighting is rather small.

2.4 Staff Attitudes to the Principle of Performance Pay

On the whole, Revenue staff appear favourable to the general principle of linking pay to performance among Inland Revenue staff, and most staff reject the idea that it is fundamentally unfair. The Cabinet Office's Efficiency Unit made a similar observation regarding civil servants generally in the late 1980s, which was confirmed by the 1991 survey. Indeed, there is remarkable continuity in the attitudes of Inland Revenue staff to the principle of relating pay to performance: 58% agreed with the principle in 1996, against 57% in 1991. Likewise, there appears to be a strong continuity over time in the number rejecting the idea that PRP is fundamentally unfair: 52% in 1996 and 58% in 1991 (Table 2.5).

Table 2.5
Attitudes to the principle of performance pay

Year	No.	Question	Disagree %	Agree %
1996	1	The principle of relating pay to performance is a good one	37.3	58.1
1991	1		40	57
1996	2	The idea of performance pay is fundamentally unfair	51.5	39.2
1991	2		58	36

However, the general acceptance of the principle of performance pay does not extend to the idea that *all* pay should be made dependent upon performance. Two thirds of the respondents disagreed that pay should depend solely on performance (Table 2.6, Q5). A likely reason for this is that they believed that a number of other principles for determining pay were also important. Notable among these are that a person's pay should:

- take account of different work loads of staff within the same pay band (Q4);
- reflect job demands rather than individual performance (Q8);

- take more account of experience (Q3);
- compensate for rises in the cost of living (Q9);
- continue to follow nationally negotiated pay scales (Q7); and
- to some extent, reflect recruitment difficulties (Q6).

Some of these views can be accommodated within the current Performance Management system while others are more problematic. Job demands are, to some extent, reflected in the provisions for 'Extra Loading'. That pay scales continue to be nationally negotiated is a part of the current system to which staff remain attached despite the moves towards greater pay devolution.

Experience as years in the job, on the other hand, clearly is one of the main losers in the shift to performance management. Likewise, the idea that pay should reflect job demands rather than individual performance represents a major difference of emphasis. That pay should reflect recruitment and retention difficulties has a strong pedigree for certain categories of staff, for example, the data processing allowance, but it may be difficult to integrate with a system that is based on pay for individual performance.

Table 2.6
Staff views on different payment criteria - 1996

No.	Question	Disagree %	Agree %
5	Staff should be paid solely on the basis of individual performance	64.7	29.4
4	Pay should take into account different duties carried out by staff in the band/span	23.5	63.2
8	Pay should reflect the demands of the job and not the performance of individual Job holders	28.8	57.8
3	Experience (i.e. years in the job) should count more towards determining pay levels	37.0	52.7
9	Annual pay rises should be used primarily to compensate for rises in the cost of living	24.0	66.9
7	People should be paid according to nationally negotiated pay scales	13.4	76.4
6	Staff should be paid more if their skills are in short supply	40.0	44.4

2.5 The Quality of Management and Goal Setting

One of the goals of Performance Management, stated in 'the Guide', is to clarify the setting of individual staff objectives, and by linking them to the overall objectives of the Department, to increase staff awareness of these. This can be judged at two levels: first, are the relevant procedures actually taking place, and do staff understand their goals and agree with their evaluations; and secondly, do they feel the resulting goals are set any more clearly as a result of Performance Management.

2.5.1 Staff judgements of the goal-setting and appraisal process

To examine any performance management scheme, it is logical to start with the the goal setting and appraisal process to see whether the procedures are being carried out as designed, and whether staff feel they understand them. In these terms, the Inland Revenue scheme appears to be working. Four fifths of staff said they understood how PM operated (Table 2.7, Q38), and a clear majority considered they had had sufficient opportunity to discuss their performance with their line managers (Q51). On the whole, staff also thought they had been able to change their objectives when their workloads changed (Q52), and that the goal posts had not been moved during the year so as to prevent them gaining an 'Exceed' (Q60). The responses to the last question is particularly revealing

because the First Chairman's Quality report had uncovered fears of 'ratcheting up' of goals during the year, and instructions had been given that this should not happen.

Table 2.7
Staff views of how individual goal setting and appraisal work

Year	No.	Question	Disagree %	Agree %
1996	38	I do not understand how PM operates in the Revenue	78.3	13.9
1996	51	Throughout the year, I had sufficient opportunity to discuss my Performance with my line manager	38.2	56.6
1996	52	I have been able to change my work objectives when my work allocation has altered	29.3	49.4
1996	60	It was difficult to achieve and 'Exceed' because my performance agreement was altered during the year	56.0	13.9
1996	53	I understand why I was awarded my most recent performance assessment	14.0	79.1
1991			14	79
1996	54	My most recent performance assessment was a fair reflection of my Performance	28.4	63.8
1991			27	66

Turning to the appraisal process itself, as in 1991, four fifths of the staff understood the reasons for their latest assessment (Q53), and just under two thirds considered it a fair reflection of their performance (Q54).

Nevertheless, a number of responses reveal an underlying unease (Table 2.8). Whereas just over 60% thought themselves capable of doing the work required for an 'Exceed', this percentage was down sharply from the 80% who thought themselves capable of getting a good appraisal (Box 1 or 2) in 1991. Nearly two thirds of the staff thought they would not get an 'Exceed' even if they deserved one, up strongly on 1991, and a similar proportion thought their current job demands left very little scope for an 'Exceed' (Q59), roughly double the percentage saying so in 1991.

Despite *The Guide's* stress on the contract principle, two thirds thought staff felt pressured to accept management's performance objectives without discussion (Q61), and that in reality all staff were given the same targets (Q62). One test of how far staff felt their personal performance agreements take sufficient account of individual circumstances lies in the treatment of temporary drops in performance owing to personal illness or distress. Risk of illness affects everyone, so seeing others lose out is a warning of what could easily happen to oneself sometime in the future. Here, there is a general perception that staff suffering in this way lose out under PM (Q31).

This suggests a degree of cynicism about the language of *The Guide* about individual performance targets, which is reinforced by the replies to the last two questions. Many staff are keener to avoid a 'Not Met' than to gain an 'Exceed' when agreeing their targets (Q63), and a substantial number believe that whether or not you get an 'Exceed' depends upon how cleverly you negotiated your performance targets in the first place (Q64).

Table 2.8
Appraisals and performance targets

Year	No.	Question	Disagree %	Agree %
1996	56	I am personally capable of doing what is necessary to get an 'Exceed' in the future	21.4	62.4
1991			6	81
1996	58	Even if my performance is good enough, I doubt I will receive an 'Exceed'	27.6	63.3
1991			40	45
1996	59	The nature of my present job makes it very hard for me to exceed the objectives in my Performance Agreement	26.3	64.4
1991			53	31
1996	61	Staff feel pressured into accepting performance objectives set by management without discussion	25.78	61.67
1996	62	For all that is said about individual performance objectives, in reality everyone is given the same targets	25.7	63.2
1996	31	Staff suffering illness or personal distress lose out under PM	19.9	58.3
1996	63	In agreeing objectives, I am more concerned to avoid a 'Not Met' than to aim for an 'Exceed'	33.9	55.9
1996	64	The staff who gain 'Exceeds' are those who are cleverest at negotiating their Performance Agreements	40.5	43.3

2.5.1 Is PM leading to goals being set more clearly?

The responses shown in Table 2.9 cast doubt on the system's effectiveness in goal setting. A majority of staff disagreed that it has raised awareness of the objectives of PM (Q10), and that it has made managers set targets more clearly (Q14). Three quarters of the staff believed it was simply a device to increase the amount of work done (Q21), whatever the emphasis on goals, quality, and teamwork in *The Guide*.

To set these views in perspective, it is worth comparing them with the results for 1991. Despite Marsden and Richardson's general conclusion at the time that PRP had not motivated, and had probably demotivated staff at that time, overall, staff judgements on increasing awareness were positive, and those on goal setting noticeably less negative than now.

Table 2.9
Attitudes to work goals

Year	No.	Question	Disagree %	Agree %
1996	10	Performance Pay raises staff awareness of the objectives of PM	52.4	38.1
1991			28	57
1996	14	PM has made managers set work targets more clearly	53.7	31.5
1991			43	27
1996	21	For all that is said about quality, PM is simply a device to get more work done.	13.2	76.8
1991			31	55

The perception that PM is a device to get more work has been greatly reinforced since the 1991 survey, up to three quarters agreeing now against 55% then. We do not have any detailed quantitative evidence on whether work loads have increased to explain the perception. However, conversations with management have confirmed that the level of work done by the Revenue staff

has remained at roughly the same level while numbers of staff have diminished considerably¹¹. We return to this question when examining the impact of PM on the Revenue's performance as a whole (§9 below).

The lack of success of PM in raising staff awareness of Revenue goals is reflected in the judgements of staff on their own personal experience of PM's operation (Table 2.10).

Table 2.10
Staff experiences of their personal performance management targets — 1996 survey

No.	Question	Disagree %	Agree %
39	PM has made me more aware of the targets of the Revenue	48.0	39.4
102 *	PM has made staff more aware of the Inland Revenue's targets	46.6	45.6
23	The individual performance targets are a suitable basis for determining Performance Pay	57.4	26.6
13	PM is difficult to operate because the type of work done in the Inland Revenue is hard to measure	16.6	75.7
26	The link with pay makes staff question the fairness of PM	5.9	86.4

Note: * Only Managers assessing staff performance were asked this question.

Nearly half of the staff disagreed that PM had made them more aware of the Revenue's targets. This view is also echoed among managers' judgements of staff reactions (Q102). A majority of staff rejected the view that individual performance targets are a suitable basis for performance pay (Q23). Some of this may be explained by a general scepticism that the kind of work done by staff could be measured reliably (Q13).

The outcome of these perceived failings on PM would appear to have led an overwhelming majority of staff (86%) to agree that the link with pay has made staff question the fairness of PM (Q26).

Our findings reflect those reported in the First and Second Chairman's Reviews of Performance Management, which also provides a valuable check on the reliability of our survey results. These reported concerns that the scheme had been implemented too rapidly in 1993 with insufficient time taken to explain its goals to staff, and that the scheme was seen as too 'top down'.

2.5.2 Dealing with poor performance

A common goal of performance management schemes is to deal with poor performance, partly to maintain overall standards, and partly to prevent 'passengers' from depressing the morale of other staff who have to 'carry' them. A number of questions were therefore asked about poor performance (Table 2.11).

11. Part of the reduction of staff levels at the Inland Revenue over the past three years has been achieved by contracting out some work, notably data processing work to EDS. However, the latter case involved only 2,000 jobs. A small number of others has been contracted out from other parts of the IR. In the other notable case of market testing, Inland Revenue staff won the contract. The greater part of the reduction in jobs has taken place without a corresponding drop in workload. Part of this has been achieved by the ban on new recruitment for the last three years (hence the small numbers of staff with less than three years' service, Q.92).

Table 2.11
PM and poor performance in 1996

No.	Question	Disagree %	Agree %
27	PM is a good way to identify poor performance	60.3	27.8
109*	PM has made it easier for me to deal with poor performance	60.7	25.0
49	Managers know enough about the jobs of their staff to identify poor performance	43.9	48.8

* Only managers assessing staff performance were asked this question.

It would appear from these results that PM is not seen as an effective way of identifying poor performance. Neither managers (Q109) nor staff in general believe it to be (Q27). There was also some scepticism as to whether managers knew enough about the jobs of their staff to identify poor performance. This perception may have been boosted by the amount of management layering and reorganisation of offices in the Revenue network which has made management seem more distant from individual staff.

Lack of confidence in the system may be reflected in the number of staff taking a cautious approach to setting their performance targets, being more anxious to avoid the risk of sanctions for poor performance by agreeing over-difficult targets rather than to gain an Exceed (Q63, Table 2.8).

Thus, whatever the actual ability of the Scheme to identify ‘passengers’, its perceived failure to do so accurately may damage performance by making staff over-cautious.

2.6 Staff Views on the Fairness of PM

An essential attribute of any incentive payment system, if it is to motivate staff in the way management intend, is that it should be seen to be fair. In describing the responsibilities of management in the Performance Management scheme, ‘the Guide’ places great emphasis on the need for ensuring fairness and consistency, and for encouraging equal opportunities (para 12.5). Our responses suggest two different types of perceptions relating to the Scheme’s operation in general, and in their own particular case.

2.6.1 The operation of PM in general

A first test is whether staff feel that PM rewards the kind of work the Guide says it should. So we asked whether it meant that good work was recognised and rewarded (Q15) (Table 2.12). Nearly three quarters disagreed with this, up strongly on the same figure for 1991. This more negative response is surprising given the increased emphasis on individual work targets in 1996. The previous scheme had applied the same set of thirteen criteria to all jobs, each reflecting different aspects of behaviour which were not equally appropriate for all kinds of work. Thus, on paper, the PM system should be much more sensitive to the demands of a wide variety of jobs. Yet, staff are more doubtful of its ability to recognise good work than they were of its more bureaucratic predecessor.

Table 2.12
The perceived fairness of PM

Year	No.	Question	Disagree %	Agree %
1996	15	PM has meant good work is recognised and rewarded at last	72.7	18.6
1991			50	41
1996	16	Managers use the scheme to reward their favourites	21.3	57.4
1991			45	35
1996	18	Staff are frequently denied the performance assessments they deserve, because in practice there is a quota on 'exceeds' and 'extra-loaded' jobs	13.6	77.5
1991			10	74
1996	30	The appeal system ensures unfair assessments are corrected	49.3	12.3
1996	24	Extra-loaded posts are used as a substitute for progression and promotion	11.1	77.2
1991			32	43

A second test is whether management are believed to play according to their own stated rules. Two important rules in this respect are equal treatment of all staff, and the commitment not to use a quota on appraisals as a device to control costs.

Favouritism

Despite the provisions to ensure consistency or operation within and between departments, and for appeals¹², nearly three out of five staff believe management use the scheme to reward their favourites (Q16). In 1991, just over a third shared this view, indicating a sharp deterioration in staff views about the fairness with which the Scheme is operated. Moreover, the appeals system was not felt to be effective (Q30). According to the Second Chairman's Quality Review (1994)¹³, many staff felt that the financial gain from appealing was too small compared with the effort, and the possible damage to future promotion prospects.

Quotas

The Guide explicitly states that there should be no quotas on assessment ratings, thus avoiding one of the demotivating factors found by Marsden and Richardson in the earlier scheme. The 1988 Agreement envisaged that 'if the reporting and marking criteria are properly observed, the cost (of performance pay) will not exceed the cost of giving 25% of the staff in the grades covered a range increase on the spine which they are on' (para 13 vi). This was widely seen as implying a quota, and because pay was directly tied to ratings, this would also imply a quota on good ratings. *The Guide* states explicitly, and in bold print, 'there are no quotas or guidelines for the number or percentage of the Assessment markings and loadings that should be given. Managers and jobholders should agree what Assessment marking and loading is deserved solely on the basis of the jobholder's performance'.

Yet, more than three quarters of the staff believe a quota is in operation and that it causes staff to be denied assessments and extra loadings they deserve (Q18), and nearly two thirds believe

12. *The Guide*, para 12.5: 'All managers' managers are responsible for monitoring the operation of Performance Management by their staff. And Directors and Controllers are responsible for monitoring the operation of Performance Management in their own parts of the Department, through their Quality Assurance and Quality Control (QA/QC) programmes. They should take appropriate action to ensure that the Scheme is operating fairly and consistently in their own parts of the Department'.

13. Chairman's Second Quality Review of Performance Management: Summaries of the Reports, p.4, March 1994.

that even if their performance merits an 'exceed' they will not get one (Q58, Table 2.8). Thus, the perception is that management use their discretion to reward their favourites, and to withhold rewards when they are due, and these views are more pronounced than in 1991.

2.6.2 Individual experiences with PM

Despite the rather negative views of staff about the operation of PM in general, their own personal experiences paint a rather different picture. We have already seen (Table 2.7 above) that four fifths of staff said they understood their most recent assessment, and that nearly two-thirds considered it a fair reflection of their performance (Q54), and these figures are little changed on 1991. On the whole, staff did not think their personal workloads had been adjusted unfairly. About half said they had been able to alter their agreement during the year to take account of changes in workloads (Q52), and only a few thought they had been deprived of the chance of an 'Exceed' because their workloads had been ratcheted up during the year (Q60). Thus, the belief that there are both frequent favouritism and a quota in operation is not reflected in their own personal experience of the Scheme.

On the other hand, staff often experience a discrepancy between the performance philosophy of the Scheme and the constraints of their own jobs. Many reported (see Table 2.8 above) that the nature of their present job left them little scope for exceeding their objectives (Q59), and many were sceptical that even if they improved their performance they would not get an 'Exceed' (Q58). The feeling too that staff feel pressured into accepting management's targets (Q61) perhaps means that they feel the targets they are given are set too high for them to have a fair chance of an 'Exceed'.

The rules of the game, as set by management, are about improving one's performance to earn an additional reward, but these are seen as violated because many staff feel they do not have a fair chance of 'winning'. Staff members' personal line managers may not have treated them unfairly out of favouritism or because they shifted the goal posts, but there is a feeling that this happens widely to other colleagues. However, the more fundamental unfairness which affects the personal assessment by many staff is that they do not feel that either the constraints of their jobs, or the targets they are set give them a fair chance of winning.

2.7 PM and Equal Opportunities

Concern has been expressed, notably by trade unions about the effects of performance pay on equal opportunities for all groups. It is often feared that its individual focus, the negotiation and appraisal procedures, discriminate against women, staff from ethnic minorities and those who work part-time. One factor in particular giving cause for concern is the largely subjective nature of appraisal. The Inland Revenue are aware of this possibility. Management carried out an internal study into PM and equality which was reported during March and April 1996. Its report included the following statements:

“Women tend to receive proportionally more extra-load markings, and fewer not mets than men, but men received more exceeds”¹⁴

“Part-time staff were found to have received more succeed markings and proportionally fewer extra-load, exceed or not met assessments”

14. It is perhaps interesting that in *Insight*, an internal staff magazine, the problem to be addressed was why men receive more 'not mets' than women, not why women receive fewer 'exceeds'! *Insight* (date unknown).

“Overall results for people in ethnic minority groups did not compare as well with those groups of white staff. And women in ethnic minority groups fare worse than men from this group and white women.”

Our survey asked a number of questions on equal opportunities issues. While it is impossible for an attitudinal survey to identify whether performance-related pay actually ‘leads to’ discrimination, the responses from those staff groups can indicate whom they perceive to be losing out under the scheme.

Table 2.13 Do particular groups feel they lose out under PM? ¹⁵
(results cross-tabulated with actual assessment reported)

Question 17 Women Lose out under PM			
Gender	Disagree %	Agree %	Valid response
Male	58.1	7.3	474
Female	48.2	19.0	679
Question 20 Members of ethnic minorities lose out under PM			
Ethnic Background	Disagree %	Agree %	Valid response
White	41.4	8.4	1095
Non-White	32.2	54.0	50
Question 36 Employees working part-time lose out under PM			
Status	Disagree %	Agree %	Valid response
Full-Time	37.2	20.6	979
Part-time	33.3	56.6	180

Note: unweighted data used. Overall totals may differ from category totals they include also those who did not reply to the relevant biographical questions.

Table 2.13 shows the views of staff on these equal opportunity questions, comparing those of the groups directly affected with those of other staff. Overall, members of the particular categories are more likely to feel that fellow members of their group lose out under PM. The difference is less pronounced for women, most of whom do not believe that women lose out, but strong for both ethnic minorities and part-timers. Among the latter categories, the majority believe their group loses out.

These results may be attributable to a number of factors, such as different expectations of managers of the relevant staff groups, especially for part-time staff, and their case, additionally, less time to complete the appraisal process, or the lack of opportunity to carry out training associated with the work that attracts better assessment marks.

15. Statistical significance tests show the following results:

Statistics relating to the male/female cross tabulation: Pearson $\chi^2(4) = 89.7668$ Pr = 0.000; gamma = 0.3029 ASE = 0.043;

Statistics relating to the white/non-white cross tabulation: Pearson $\chi^2(4) = 79.6955$ Pr = 0.000; gamma = 0.3337 ASE = 0.117;

Statistics relating to the part/ full time cross tabulation: Pearson $\chi^2(4) = 139.0215$ Pr = 0.000; gamma = 0.3386 ASE = 0.063;

The chi-squared statistic is testing whether the answers are independent of gender. The p-value of 0.000 means that a null hypothesis stating that there the answers are independent of gender can be rejected. The gamma-value of 0.3029 gives a measure of the association of the answers by gender. This is positive and moderately strong.

Overall it would appear that the problems identified with PM by the Revenue are reinforced by these staff group's perceptions of Performance Management.

2.8 The Motivational Effects of PM

The effects of an incentive scheme on staff motivation can be assessed from a number of angles. Rather than ask about motivation in general, we have preferred to ask about 'motivation to do what?'. Since the Scheme was designed by management, and *The Guide* is intended to communicate its goals to staff, it is reasonable to start with the objectives set out there. Because we are also interested in comparison with 1991, we have also used elements of the appraisal scheme then in force. As mentioned earlier, the 1991 goals have been more or less incorporated into the more general and systematic framework presented in the Guide. We therefore start by looking at motivation to improve certain concrete aspects of one's personal job performance; then we look at cooperation with management and teamworking; and at work atmosphere. Finally, we consider the strength of financial incentives.

2.8.1 Incentives to do one's job better

In this study, we measure the effect of the Scheme on job motivation by asking whether staff felt that it has given them an incentive to alter their performance in certain specific directions. Thus, our view of motivation could be expressed as the existence of a willingness, or preparedness of staff to undertake certain actions. This was the same approach as that taken in the 1991 survey.

One important advantage of asking the question in this way is that it enables us to focus on a rather narrow part of the linkage between motivation and performance, and to concentrate on that. If we had instead asked about people's actions, for example, do they actually do something differently as a result of the Scheme, it might be hard to reply positively because of some obstacle even though they felt motivated to do so. For example, some staff have said the nature of their job leaves them little scope to get an 'Exceed'.

On the whole, the results summarised in Table 2.14, show a rather similar picture to that of 1991. Performance Management has not given many staff a greater incentive to alter their personal work patterns, and if anything, the response is slightly more negative in 1996 than in 1991. Few believe it has given them an incentive to work beyond the requirements of their job (Q40), to be more sensitive to the their colleagues (Q42) or the public (Q44), and few feel it has encouraged them to get their work priorities right (Q45). Rather less than in 1991 believe they have an incentive to show more initiative (Q46). One factor behind this generally sceptical view may be that staff believe they already work at the appropriate standard (Q48), and that PM in some way is felt to imply that they are not.

Table 2.14
Individual Motivational effects of PM

Year	No.	Question	Disagree %	Agree %
1996	40	PM has given me an incentive to work beyond the requirements of the job	77.4	17.5
1991			70	21
1996	42	PM has made me more aware about being sensitive to my colleagues	61.2	17.7
1991			63	14
1996	44	PM has given me the incentive to be more effective in my dealings with the public	69.1	14.6
1991			68	9
1996	45	PM has given me a greater incentive to get my work priorities right	63.7	23.6
1991			67	22
1996	46	PM has made me want to show more initiative in my job	70.1	19.6
1991			61	27
1996	48	PM has had no effect on the quality of my work because it was already at the appropriate level	8.6	83.8
1991			8	82

2.8.2 Incentives for better cooperation and teamworking

The importance of cooperation with colleagues and with managers, and teamworking were heavily stressed in *the Guide*, and are clearly presented as outcomes management are seeking through PM. Table 2.15 presents staff replies to questions on these issues. PM appears to make staff less willing to help colleagues experiencing work difficulties (Q11), and is widely believed to cause jealousies (Q12), and undermine staff morale (Q19). Notable also in the change between 1991 and 1996 is the sharp decline in those expressing ‘no view’, implying a stronger polarisation of views on these questions.

Table 2.15
Effects of PM on team-working and cooperation

Year	No.	Question	Disagree %	Agree %
1996	11	PM makes staff less willing to assist colleagues experiencing work difficulties	30.3	63.1
1991			53	28
1996	12	PM causes jealousies between staff	8.6	85.5
1991			21	62
1996	19	PM has helped to undermine staff morale	10.4	81.1
1991			25	65
1996	41	PM has reduced my wish to co-operate with management	51.2	30.3
1991			75	10
1996	104 *	PM has reduced the willingness of many of the staff to co-operate with management	36.7	45.0
1991			65	20
1996	25	Performance Management discourages teamworking	22.9	66.9
1996	32	It would be better to base PM on the performance of groups of staff than of individuals	50.3	27.8
1991			73	19

Note: * Only managers assessing staff performance were asked this question.

Likely reasons for this would seem to be the emphasis on achieving individual work targets which could be jeopardised by helping colleagues. The jealousies could be related to the feeling that

management show favouritism under PM so that some get easier targets and may be rated more favourably than others. Staff morale would likewise be undermined by the feeling that the system was not being operated fairly, and that staff would not be rewarded even if they do well, or are not given the opportunity to do well. On all of these questions, staff judge the system more severely than they did in 1991 by a large margin.

Although most staff still say PM has not reduced their willingness to cooperate with management, now a significant minority, 30%, believe that it has, a threefold increase on the figure for 1991 (Q41). Even more striking are the views of managers themselves of whom 45% believe that it has reduced the willingness of their staff to cooperate with them (Q104). These views also represent a sharp deterioration of cooperation with management compared with 1991.

With much work in Revenue offices being dependent on good working relations between staff, what are the possible consequences of PM on teamworking? Two thirds of staff believe it discourages teamworking (Q25). It also asked about the idea of group performance pay, an idea under consideration in the Revenue, but staff do not appear convinced that group PRP would be a solution, at least under the current system of Performance Management.¹⁶

2.8.3 Effects on work atmosphere: staff commitment and organisational citizenship

Work atmosphere, and in particular, whether staff feel emotionally 'committed' in some sense to the organisation in which they work, and whether they feel they should behave as good organisational 'citizens' are widely believed to affect performance, especially in areas where it depends upon cooperation and understanding among colleagues and between staff and their managers.

It has been common to measure affective commitment by asking a number of questions about whether people feel 'part of the family' in their workplace, how 'emotionally attached' they feel, whether working there means a lot to them, whether they think they could be as attached to another organisation, and whether they would be happy to spend the rest of their careers there. Likewise, whether staff feel they ought to behave as good organisational citizens, and its possible effects on similar kinds of performance, have attracted much interest recently (van Dyne et al. 1994). This view is captured, imperfectly, by asking how far staff are willing to put themselves out in order to complete urgent work, or to undertake training likely to benefit the organisation rather than stick to a more restrictive view of their obligations to their employer. As raising revenue is such an important input into financing public services, we decided also to ask how far staff saw their work as contributing to an important public service.

Even in 1991, the nature of work in the Inland Revenue made it unlikely that many staff would feel 'part of the family' in the Revenue, and staff expressed much warmer feelings about their current office (Q74 & 76). On all of the commitment to the Revenue questions, in 1996, the responses were on balance negative. The one exception was that still many staff would feel happy to spend the rest of their career there (Q77), although in a period of high unemployment and economic uncertainty, many staff may still value the relative job security that is still enjoyed there. Indeed, almost 90% of staff overall agreed that job security was important to them in their current job (Q65). Another indicator of feelings about the organisation was expressed in the view that employees usually lose out whenever there is change (Q83).

16. Question 73 also needs to be considered. This question asked how important working as a member of a team was to the employee. Of the responses 52% agreed that it was important while 26% disagreed.

Table 2.16
Attitudes to working in the Inland Revenue

Year	No.	Question	Disagree %	Agree %
1996	74	I feel 'part of the family' in my current office	32.3	55.9
1991			26	62
1996	75	I feel a strong sense of commitment to my current office	30.3	53.3
1991			25	58
1996	76	I feel 'part of the family' in the Inland Revenue	65.2	16.1
1991			41	35
1996	77	I would be very happy to spend the rest of my career in the Inland Revenue	29.3	49.4
1991			28	53
1996	78	I do not feel 'emotionally attached' to the Inland Revenue	25.0	58.2
1991			23	58
1996	79	I think I could become as attached to another organisation as the Inland Revenue	14.7	64.5
1991			16	58
1996	80	I feel a strong sense of commitment to the Inland Revenue	42.5	35.1
1991			32	41
1996	84	Working in the Inland Revenue means a great deal to me	38.7	29.2
1991			36	30
1996	68	Contributing to an important public service is important in my job	19.2	56.2
1991			19	62
1996	81	I always show goodwill to complete an urgent task	3.7	92.9
1996	82	I keep myself well-informed and undertake training when I think this may benefit the Revenue	11.9	72.2
1996	83	Whenever changes are made in this organisation employees usually lose out in the end	13.1	72.9
1996	86	I have confidence and trust in my fellow staff	24.3	53.2
1996	47	PM has caused greater stress in my job	25.8	63.6

Turning to Revenue staff's office and their immediate colleagues, the responses were much more positive, with the majority feeling 'part of the family' in their current office (Q74), and feeling strongly committed to it (Q75). A similar percentage also expressed confidence and trust in their fellow staff (Q86). The first of the 'citizenship' questions, showing goodwill to complete an urgent task (Q81), probably relates most strongly to immediate work colleagues as these are the ones most likely to benefit in terms of less disturbance to their own work roles. On the other hand, keeping well-informed and undertaking training when of benefit to the Revenue (Q82) probably reflects on both office and wider organisation.

Looking at changes between 1991 and 1996, the most striking feature is the strong deterioration of work atmosphere. The affective bonds to the Inland Revenue have declined as the third who felt part of the family in 1991 are down to one sixth by 1996, and more feel they could become equally attached to another organisation, and fewer expressed a strong emotional attachment to the Revenue. This has also spread to people's current office, where there has also been a decline in affective bonds. This leaves the relatively steady percentages saying they would be happy to spend the rest of their careers there as possibly doing so on a more calculative basis than in the past: a relatively stable job is still worth having even though the atmosphere is less good, and it may be more stressful (Q47).

Despite the drop in measures of commitment to the organisation, staff have maintained a commitment to public service. Still about 60% said they valued contributing to an important public service (Q68), and a steady 30% found working in the Revenue meant a great deal to them (Q84). So it would appear that whatever the drop of affective ties to the Revenue, the organisation continues to benefit from an important capital of belief in the value of the public service provided.

2.8.4 Effectiveness of financial incentives

A tricky question with any performance scheme is to decide how large the incentive for any one period should be in relation to base pay. One view is that the larger the payment, the stronger the incentive. But this has to be tempered by the greater uncertainty it introduces into employees' lives. As their employment income usually represents the lion's share of their total income, they are not in a position to spread risks in the way that organisations can. Luhmann and Mayntz have argued that public servants are likely to be more averse to risk-taking than the average citizen because it was the relative job security that attracted them into the public service in the first place (Mayntz, 1985). Another consideration is that the degree of uncertainty felt by staff is increased if they lack confidence in the fairness and objectivity of the performance scheme. For example, many respondents expressed the view that even if their performance were to merit an 'Exceed' they would not be given one, and many said they were more concerned to avoid a 'Not met' than to gain an 'Exceed'. We therefore asked whether staff felt the amount of money awarded should be substantially increased.

Table 2.17
Financial incentives and PM

Year	No.	Question	Disagree %	Agree %
1996	37	The amount of money an individual receives for an 'exceed' or an 'extra-loaded' should be substantially increased	34.2	45.8
1991			31	41
1996	57	The personal satisfaction I derive from my work is sufficient incentive for me to do what is needed to get an 'Exceed'	54.9	32.1
1991			26	63

Both in 1991 and 1996, rather more said the amount of money should be larger, but a large minority held the opposite view. As might be expected, more of those who had been awarded an 'Exceed' than who had other assessments thought the amount should be increased, but even among these, a quarter disagreed. There was, however, a strong feeling that the non-financial rewards of a satisfying job were no longer sufficient to stimulate higher performance (Q57).

Finally, any gain that might stem from a greater incentive effect from larger payments has to be set against possible losses arising from strong demotivating effects of PM. Could one be sure, for example, that staff feelings of unfairness over perceived favouritism and jealousies among staff would not become more of a problem if the financial stakes were higher?

Table 2.18 Views on the scale of rewards by Performance Assessment received¹⁷

Question 37	The amount of money an individual receives for an 'exceed' or an 'extra-loaded' should be substantially increased		
Assessment	Disagree %	Agree %	Valid response
Exceed	24.3	63.3	354
Succeed	38.5	37.5	761
Not Met	45.8	23.3	12
			1127

17. Pearson chi2(8) = 85.8263 Pr = 0.000; gamma = -0.3921 ASE = 0.041.

2.9 Conclusion: the Impact of PM on the Revenue's Performance

On balance, the effect of Performance Management, as seen through staff responses to our questionnaire, has been to damage motivation with little sign of any positive incentive effect to offset that. It is seen to cause jealousies, and allow favouritism. Many staff and line managers believe it has damaged cooperative work relations, and few staff said it had given them incentive to improve different aspects of their performance. The only rays of light were the experiences of individual staff in their assessments that were better than their judgements of the process as a whole would suggest, and the continued belief in the social value of their work.

We have no hard evidence on the overall performance of the Inland Revenue except that work loads of the organisation as a whole have remained roughly constant while staff numbers have been cut quite severely. This implies a potentially large increase in productivity.

Further evidence that people have been working harder is available from our own survey in line manager responses (Table 2.19).

Although still not a majority, the proportion of line managers believing that PM has caused staff to work beyond the requirements of their jobs (Q103) more than doubled to almost two fifths between 1991 and 1996. A similar increase occurred in the percentage reporting an increase in the quantity of work staff do, up to 40% (Q107). This contrasts with the perception of a relatively small effect on work quality (Q106), sustained high performance (Q105), and on commitment (Q108).

Table 2.19
Line management assessments of whether PM has caused staff to work harder

Year	No.	Question	Disagree %	Agree %
1996	103	The existence of PM has caused many of the staff to work beyond the requirements of their job	55.5	37.1
1991			79	15
1996	107	PM has led to an increase in the <u>quantity</u> of the work many of the staff do	51.2	41.6
1991			71	22
1996	106	PM has helped to increase the <u>quality</u> of the work of many of the staff	72.2	16.7
1991			82	10
1996	105	PM has led to many of staff giving sustained high performance at work	67.8	17.5
1991			77	14
1996	108	PM has made many of the staff more committed to their work	72.8	12.9
1991			79	12

How then can this be reconciled with the damaging effects of the incentive scheme upon individual motivation, work group relations, and its apparent ineffectiveness in goal setting?

The main outcome appears to have been an increase in work loads. For this, the elaborate considerations of the goal setting process as set out in *the Guide* have probably been unnecessary, so their apparent ineffectiveness has had little effect on productivity. Likewise, the dimensions of motivation that we sought to measure were again made largely irrelevant by the general pressure to increase work loads. Here the high and much increased percentage of staff who replied that their current jobs gave them little scope to gain an 'Exceed' is surely relevant. Motivation is critical if staff are to exercise independent judgement about their work, to take initiative, and to look for better ways of doing things, but if the pace of work is such that all they can do is to apply established routines, then discretion and motivation have a smaller part to play. Of course, there has been substantial change and reorganisation as staff prepare for Self Assessment, so the work routines cannot be that static, but still an increased work pressure, and targets that stress, or are felt to stress, quantity over other criteria place less demands on individual staff motivation.

There is however another change that appears to be under way. That is shown in the increased focus on individual targets, the greater reluctance to help colleagues experiencing work difficulties, and the general decline in attitudes favourable to team working and cooperation. The former rather than the latter are seen as what bring the rewards. Indeed, too much helping colleagues that led to a 'Not Met' would be penalised. The belief that staff who gain 'Exceeds' are those who are cleverest at negotiating their performance agreements is surely a worrying sign that people are beginning to believe that the rewards go to those who 'play' the system most effectively. Likewise, the beliefs that managerial favouritism can help get an 'Exceed', and more generally that management are not playing by their own rules, again indicate the rewards to manipulating the system rather than working within its spirit.

Judging by the responses on public service, on citizenship behaviour, and the reasons for appreciating one's job in the Revenue, the department remains a very long way from the piecework bargaining jungle that characterised much of the British engineering industry in the 1960s, but the apparent growth of cynicism among the staff does lead one to ask how long the growth in productivity will be sustainable given the damaging effects of Performance Management on many aspects of staff motivation.

Chapter 3

‘Equity Shares’ at the Employment Service

3.1 Introduction

The Employment Service was established as an Executive Agency, attached to the Department of Education and Employment (DfEE), under the Next Steps programme in April 1990. Its main function is paying out unemployment benefit and running job centres to assist unemployed people seeking work. It currently employs around 35,000 staff, with the headquarters in Sheffield, and local offices organised into 9 regions. It recognises four unions for negotiation purposes; the Public Service, Taxation and Commerce Union, (PTC), the Civil and Public Servants Association (CPSA), the First Division Association (FDA) and the Institution of Professionals, Managers and Specialists (IPMS).

The decision to delegate pay from the Treasury to individual government departments and agencies led to the development of a variety of schemes which sought to strengthen the link between employee performance and pay, so that the assessment of an individual’s performance became the central focus in determining pay awards and pay progression.

Prior to pay delegation in 1994, the Employment Service followed the traditional Civil Service pay and grading structures and was bound by the central civil-service wide pay agreements. The then central performance pay system was built onto the existing appraisal system, and was awarded on top of normal salary increases and increments, and there was no automatic financial penalty for poor performance. Performance was also measured against the demands of job grades rather than individual targets.

With pay delegation, the Employment Service Agency broke away from the central civil service agreements and set up its own new pay and grading structure, in which its ‘Equity Share’ scheme of individual performance related pay plays a central role.

The survey reported in this chapter analyses staff attitudes to performance pay in the Employment Service. It is based upon the responses of a sample of Employment Service executive grade staff, organised by the PTC, surveyed in January and February 1997.

In this chapter we ask a number of questions:

- What are employees’ attitudes to performance-related pay?
- Does performance related pay help set clear work objectives?
- Do staff consider the performance related pay system to be fair?
- Does performance related pay motivate staff?
- Does PRP affect teamworking and co-operation with management?
- Does performance-related pay actually improve performance?

Shortly after our survey was completed, *The Guardian* newspaper reported that the then government had set up an internal enquiry to look into allegations of widespread abuse of performance targets within the Employment Service. Although we could not explore this directly in our survey, these events do broaden the criteria for the scheme’s effectiveness. Our survey was mainly designed to address the questions just outlined, and is geared to evaluating the impact on different dimensions of job performance and workplace cooperation. However, according to *The Guardian*’s sources, over-reporting was serious and widespread, and could have inflated job

placement figures, one of the scheme's chief performance targets, nationally by up to 30%. At the heart of *The Guardian's* reports was the performance pay scheme. One question we address in our conclusion on the scheme's effects on staff performance is how it might have contributed to the scale of abuse reported. Thus although the scheme, like that of the Inland Revenue, appears to have boosted the quantity of work done by a significant number of staff, it is likely that its reputation for unfairness in the eyes of the staff contributed to its demoralisation and subsequent abuse.

3.2 Performance Related Pay in the Employment Service

Introduction of the 'Equity Share' scheme at the Employment Service involved major changes in performance management at the agency, notably, a new pay and grading structure, a new system of performance appraisal, and the establishment of a pot of money from which performance pay in the Agency would be funded, and mechanisms for determining its size.

3.2.1 New grading structure

Pay delegation in the Employment Service was implemented in 1994 and was linked to a variety of changes in pay structures and working conditions. The most significant of these was the creation of a new grading structure. The unified civil service grading structure (Grades 4-7, Senior Executive Officer, Higher Executive officer, Executive Officer, Administrative Officer and Administrative Assistant) were replaced following a job evaluation scheme.

The middle management (executive) grades were split up into seven Management Pay Bands (MPBs). Each pay band has a minimum, mid-point and maximum value. Following the implementation of the new grading structure, those staff initially disadvantaged by the job evaluation process were allowed to remain on Assimilated Pay Bands (APBs) until their pay matched that available under the new Management Pay Bands. The structure for MPBs 1-6 and the APBs represented by the PTC is shown below (Table 3.1):

Initially arrangements for support, clerical and administrative grades were not changed. In 1995, however, two subsequent Pay Bands (PB 8 and PB 9) were set up to cover most staff in this group. MPB 7 spans the former Executive Officer and Administrative Officer grades.

Table 3.1
Management Pay Bands Maxima and Minima 1996/97

Old Grade	Management Pay Band	Minimum	Mid-point	Box C Bar	Maximum
SEO	MPB 1	22,600	24,700	25,728	26,800
	MPB 2	20,600	22,500	23,520	24,500
	APB SEO	19,215	21,504	22,841	23,793
HEO	MPB 3	18,500	20,300	21,216	22,100
	MPB 4	16,500	18,250	19,200	20,000
	APB HEO	15,363	17,388	18,636	19,412
EO	MPB 5	14,800	16,325	17,136	17,850
	MPB 6	13,000	14,800	15,936	16,600
	APB EO	11,208	13,679	15,504	16,150

Source: PTC: Employment Service MPB/APB Pay Agreement 1996/7. Note: the Box C Bar operated until 1996.

3.2.2 Performance appraisal

The appraisal method used in determining performance pay was introduced in September 1994. The characteristics of the scheme include:

- performance appraisal, judged against specific responsibilities and objectives for the post;
- a means of demonstrating performance against competencies in the post, in order to assist vacancy filling;
- an assessment of individual development needs which relate to performance in the post and future career development needs;
- a four box marking system for performance assessments:

Box A: Outstanding performance in which objectives have been exceeded

Box B: Good Performance in which objectives have been met

Box C: Generally satisfactory performance in which some objectives have not been met

Box D: Performance not satisfactory in which objectives have been missed

The new system focuses entirely on the achievement of business objectives and individuals' performance in their jobs. These objectives include targets for the number of people who are placed in vacant posts as well as paying benefit accurately and on time. Individual employees draw up a Performance Agreement with their line managers, indicating the nature of the job and a number of performance objectives. Progress should be reviewed quarterly allowing for changes to the agreement where necessary. The manager will then make an assessment of the employee's performance based upon the four box marking system (IDS 1995). An appeal system is in operation for staff who believe their assessments to have been unfair.

3.2.3 Performance pay through 'equity shares'

The performance pay element of the pay system, like the grading changes, was implemented in stages, with the system for executive grades agreed in April 1994 and that for administrative, clerical and support grades reached in 1995.

The overall budget for performance pay is determined annually in discussion with the Treasury and then in negotiation with the unions. This is then distributed by means of 'Equity shares' whose actual value depends upon the size of the budget, the number of shares awarded, and the individual's pay band.¹ The Box Markings determine the number of shares to which each employee is entitled. The Agency operates an 'indicative box mark distribution'. Although there is no fixed quota for the range of box markings, management informed the unions of its expected distribution where around 5% of staff achieve a Box A, 75% a Box B, 19% a Box C and 1% a Box D (PTC,

1. In the 1994 Pay and Grading Agreement (para 47), the formula set out was:

- a) the value of a single performance 'share' to be calculated by applying a percentage to the mid-point of each of the agreed MPB and APB pay ranges;
- b) the percentage to be used for this purpose will be subject to negotiations, taking into account the overall budget available for such awards;
- c) the number of performance pay 'shares' to be allocated in the following ratio: Box A, 3 shares, Box B, two shares; Box C, one share; Box D, nil.

1996).² With such ratios, the great majority of staff are clearly expected to meet their targets, and subsequently to receive performance pay, albeit of varying amounts. The cash value of equity shares is based on the mid-point of each pay band to maintain differentials between pay bands. The shares are then allocated in the following ratio:

- Box A: 3 Shares
- Box B: 2 Shares
- Box C: 1 Share
- Box D: No shares

Initially, the annual pay award was based solely on the number of shares an employee gained as the result of the performance assessment. All pay progression was, in this way, made performance-related. This method was called into question following the 1995 award, when employees assessed as Box B received an award below inflation.³ Thus, the 1996 agreement saw the introduction of a standard performance award (SPA). This is a flat-rate payment awarded to everyone receiving a Box C or better and paid in addition to the equity share-based performance award. Both awards are consolidated up to the pay band maxima or performance bar. Where awards take staff over the pay band maximum, pay above this point is non-consolidated. Table 3.2 shows the share distribution for the 1996/7 award.

Until 1996, a Box C Performance Bar also operated. The bar was set at 96% of the pay band maximum (see Table 3.1). Staff who continue to receive Box C marks did not consolidate their pay award above this level, but received non-consolidated pay. Pay was only consolidated again when they received a Box A or Box B.

Table 3.2
Share values allocated in the 1996/7 pay award
 (share value as % of mid-point of pay band)

Management Pay Band	Standard award (SPA) %	Box A %	Box B %	Box C %
MPB 1	2.0	3.0	2.0	1.0
MPB 2	2.0	3.0	2.0	1.0
APB SEO	2.1	3.1	2.1	1.0
MPB 3	2.0	3.0	2.0	1.0
MPB 4	2.0	3.0	2.0	1.0
APB HEO	2.1	3.1	2.1	1.0
MPB 5	2.0	3.0	2.0	1.0
MPB 6	2.0	3.0	2.0	1.0
APB EO	2.2	3.2	2.1	1.1

Source: PTC: Employment Service MPB/APB Pay Agreement 1996/97

2. From April 1997, the target distribution was modified to give Box A, 10%, and Box C 14%. This change was known about at the time of our survey.

3. The PTC successfully balloted members against rejecting the original offer in 1995.

3.2.4 Discontent with the new pay and grading structure

One notable area of discontent with the new structure arose from the job evaluation and regrading exercise, and this may have affected the views of the whole performance pay system in the eyes of some staff. Discontent was greatest among the assimilate pay bands (APB bands), which included many who felt they were the 'losers' under the new system.

Our results confirm that those on the APB bands were more likely to reply that their pay band prevented them from being awarded a higher Box Mark (Q62). However, such staff represent only about one fifth of our sample, and so are unlikely to affect our conclusions dramatically.

3.3 The Sample

In 1996 we approached both management and the PTC in the Employment Service with a view to carrying out a questionnaire survey of employee attitudes to and experiences with performance pay similar to those carried out in the Inland Revenue in 1991 and in 1996 (Marsden and Richardson 1992, and Chapter 2).

Employment Service management declined to take part in the survey. However, the PTC did agree to do so and a sample of 1,000 members in the ES was randomly selected from its membership database. A questionnaire was developed in consultation PTC full-time officers and the Employment Service Group Advisory Committee, a senior body of lay representatives. The questionnaires were then issued by the union direct to members at the end of January 1997, with a pre-paid postage sticker for freepost returns.

Of the 1,000 questionnaires issued, 326 questionnaires were returned. Of these 34 were spoiled. This corresponds to a response rate of 32.6%. It should be noted that time off was not granted by management for staff to complete the survey, and that the survey coincided with the implementation of the Job Seekers Allowance, a system designed to replace the traditional issuing of unemployment benefit and social security (carried out by the Benefits Office) which involved large scale organisational changes.

In the Employment Service, the PTC represents the executive and support grades as well as some senior grades and the CPSA represents the administration and clerical grades as well as some in the lowest middle management grades (MPBs 6-7). Among executive grades (middle management level), union membership stands at approximately 60% overall, and at about 40% for the PTC.⁴ In gauging the representativeness of the study, we estimated response rates using the sample fraction and employment details for the ES as a whole (see Appendix 1).

Although we obtained a good response across pay bands and regions, the estimated response rate was somewhat lower for the lower pay bands and for London and the South East region, and for women. The main reasons we could ascertain were that the CPSA has a number of members in the lower pay bands (MPB6 and APB EO) and their members would have been outside our sample. The under-representation of London and the South East and over-representation of the Head Office is probably explained by a larger number of middle management jobs being located in Sheffield Head Office and not in London as is the case with other departments

4. According to the PTC 1995 Membership Report, membership for the Department of Employment group stood at 32%. This included both job centres, where membership was 48%, and skill centres, Astra, and Tecs, where membership was 8%. According to the PTC, its membership of the ES 'executive grades' stands at about 40%. CPSA membership accounts for a further 20% in these grades.

such as the Inland Revenue. The lower estimated response for women, which is based on the gender breakdown for the ES as a whole, reflects the smaller percentage of women in the MPB pay bands, and is therefore an underestimate of the likely true response rate.

Because of the uneven sampling caused by variations in PTC membership by job grade, we decided to weight the survey results adjusting for differences in response between pay bands, in order to give a clearer picture for staff in executive grades overall. Personal data, which are also needed for methodological checks, have been left unweighted (see Appendix 2). In practice the overall effect of weighting is rather small.

Finally, we checked our sample for any serious discrepancies between the actual distribution of Box Markings and that in our sample. One concern was that there might be a bias in response towards either staff who felt they had done badly under the scheme, or towards those who had done especially well. In fact, the Box Markings of those in our sample matches the actual distribution very closely (Table 3.3).

A final check on representativeness is the spread of performance appraisals in the sample against the ‘indicative box marking’ set by the Employment Service as a guide for the actual distribution of box markings. The responses indicate an over-representation of Box As and Box Bs compared to Boxes C and D. This might be related to executive grades receiving higher marks than lower pay bands, a degree of ‘drift’ in box markings, but it could also indicate a slight biased in response towards those ‘doing better’ under PRP (Table 3.3).

Table 3.3
Box markings in our sample compared with the indicative box markings (%)

Assessment	Indicative Box Markings	Sample Box Markings	Actual Box Markings 1996/97
Box A	5	11.2	9.6
Box B	75	79.4	81.3
Box C	19	9.4	9.0
Box D	1	0.0	0.1

Source: Sample data (1.1.97) and ES

3.4 Staff Attitudes to Performance-related Pay and Other Elements of Pay Determination

Nearly three quarters of Employment Service staff approve of the general principle of linking pay to performance and reject the idea that it is fundamentally unfair (Table 3.4). This echoes the findings from the Inland Revenue in the previous chapter.

Table 3.4
Attitudes to the principle of performance pay by organisation⁵

No.	Question	Disagree %	Agree %
1	The principle of relating pay to performance is a good one	26.4	72.2
2	The idea of performance pay is fundamentally unfair	70.6	23.2

However, general acceptance of the principle of PRP clearly has limits, since staff do not accept the idea that pay should be made entirely dependent on performance. Over three-quarters of staff do not believe that individual PRP should be the sole determinant of pay (Table 3.5, Q5).

Instead, they identify a number of other principles of pay determination as important. These include:

- compensating employees for rises in the cost of living (Q9)
- taking into account differing workloads within the same pay band (Q4)
- ensuring that pay reflects job demands rather than individual performance (Q8)
- continuing to follow nationally negotiated pay scales (Q7)

Some of these views are accommodated, to a certain degree, by the equity-share scheme. The introduction of the standard performance award (SPA) goes some way to meeting the view that pay should include a cost of living element. Pay also continues to be determined through national negotiations across the Employment Service and has not been devolved to regional or office level. However, while the creation of management pay bands allows greater pay differentiation than the old civil service grading system, no additional differentiation within pay bands is possible.⁶ Furthermore, the belief that pay should reflect job demands rather than individual performance conflicts with the principles of the equity share scheme of performance appraisal.

5. A 5 point scale was used in both surveys. Staff were asked to respond to questions by expressing whether they 'strongly disagreed', 'disagreed' had 'no view', 'agreed' or ',strongly agreed'. For ease of presentation the strongly disagrees and disagrees have been grouped together as "disagrees", and the strongly agrees and agrees as "agrees".

6. By contrast the Inland Revenue has a mechanism of 'extra-loading' whereby staff with heavier workloads can receive larger pay awards than other staff in the same pay band/span.

Table 3.5
Staff views on different payment criteria

No.	Question	Disagree %	Agree %
5	Individuals should be paid solely on the basis of individual performance	76.0	17.0
9	Annual pay rises should be used primarily to compensate for rises in the cost of living	17.8	72.9
4	Pay should take greater account of different duties carried out by staff in the same band	24.3	67.9
8	Pay should reflect the demands of the job and not the performance of individual Job holders	26.2	61.8
7	People should be paid according to nationally negotiated pay scales	12.4	78.5
3	Experience (i.e. years in the job) should count more towards determining pay Levels	50.5	36.3
6	Staff should be paid more if their skills are in short supply	42.9	38.8

In contrast to some of our other case studies, the majority of ES executive grade staff do not believe that experience should play a larger role in determining pay (Q3). This suggests that the majority of staff do not regret the removal of increments from the salary system (Q95). Somewhat surprisingly, in view of the increased scope for payment to those at the top of their pay bands, it was this group that was most strongly in favour of greater reward for experience.⁷

Finally, staff were generally not keen on higher pay for those whose skills were in short supply even though this has become a commonly used argument in pay negotiations.

3.5 Using Performance Pay to Set Clear Objectives

One of the arguments frequently used in support of performance pay is that it helps to ‘drive’ assessment procedures, because they must be completed before performance awards can be paid. We turn, therefore, to examine whether Employment Service’s Equity Share scheme has led to an improvement in objective setting and appraisals for staff.

In the Agency, staff’s individual performance agreements stress the contribution to the explicit targets of its business objectives, notably job placements and accurate and timely benefit payments. These objectives are additionally tied to the state of the labour market. We would, therefore, expect the Equity Share scheme to play a role in raising staff awareness of Agency targets. The linking of Agency goals to individual performance agreements and ultimately to appraisal and pay also requires clarity in objective setting, since employees must know the quantity and quality of work expected of them.

Table 3.6 identifies staff responses to the goal setting aspects of the scheme. Firstly, most staff understand how the scheme operates (Q39), although almost one quarter claim not to understand its operation. This figure appears high given the fact that the scheme has been operating since 1994, and many of the staff surveyed are in management pay bands.

7. 63% of those already on the top of their payscale believe that experience should count more towards determining pay levels compared to 46.63% of those yet to reach the top of their pay scale. However, while this difference is statistically significant (chi-squared = 0.082 ; significant at 10% level), a majority of both groups disagree with the question.

Table 3.6
Staff views on goal setting

No.	Question	Disagree %	Agree %
39	I do not understand how the Agency's PRP scheme operates	68.0	22.8
11	Performance Pay raises staff awareness of Agency objectives (APA Targets)	46.6	49.6
40	Performance Pay has made me more aware of the targets of the Agency	56.4	39.0
97	Performance Pay has made staff more aware of the Agency's targets. *	47.8	47.9
15	It (PRP) has made managers set work targets more clearly	44.8	49.8

* Only those officers carrying out performance appraisals were asked this question.

Performance pay has contributed to raising awareness of the Agency's targets amongst staff. Almost half of those responding agree that PRP has raised overall awareness of APA targets (Q11); a view confirmed by those staff carrying out appraisals (Q97). This figure drops however, when individuals are asked if the PRP scheme has raised their own personal levels of awareness (Q40). This could imply two things. It may be a reflection of the lack of understanding among a sizeable minority of staff surveyed (Q39 above).

The difference may also be explained in terms of grade. Middle managers probably feel that they already know about the Agency's targets and overall: PRP has not added to that knowledge. However, they believe it has raised awareness overall, and thus by implication the awareness of staff in lower pay bands. This view is reinforced by the responses of those carrying out assessments who also believe that PRP has been influential. Since PRP is not the only way in which the Agency's targets are communicated to staff, a large number of 'disagrees' does not necessarily imply ignorance of these targets.

Similarly, a majority of staff do believe that PRP has made managers set clearer work targets (Q15). However, a large proportion of staff do not agree with this view (44.8%). Again, this does not mean that managers have not set clear work targets independent of PRP, but it suggests that a large number of staff surveyed do not believe that PRP has had a positive influence on objective setting.

Turning to the appraisal process itself (Table 3.7), the results suggest that the process of appraisal is operating satisfactorily with over 60% of staff having sufficient opportunity to discuss their performance with their line managers (Q52). However, a significant minority feel that they have not had such opportunities (36%). Nevertheless, over 70% of staff surveyed understood their most recent box marking (Q53) and almost two-thirds believe it a fair reflection of their performance (Q54).

Three-quarters staff believe that they are capable of achieving the top box markings (Q56). However, although a small majority of staff claim to know what they need to do to receive a Box A or B in the future (Q55), the number of staff who claim not to know suggests that widespread doubts exist about what is expected of them.

Doubts also exist amongst staff when it comes receiving the correct box marking (Q58). Over half of those responding to this question believe they would not receive the box marking they deserved. And over two-thirds of those surveyed also disagree that PRP properly recognises and rewards good work (Q16).

Why should two thirds of the staff believe their latest mark a fair reflection of their performance, and yet doubt they will get the mark they deserve even if their performance warrants it, and believe that their current job makes it hard for them to meet or exceed objectives? There is a number of reasons for this apparent inconsistency. The main answer probably lies in the sheer size

of the Box B which includes 80% of staff. A second factor lies in the lack of discretion staff have in agreeing their performance targets: most staff feel their targets are not agreed but are imposed by management (Q61). This instills a degree of resignation among staff, encouraging them to play safe and aim for a B rather than an A. Like the Inland Revenue staff, they are more concerned to avoid the penalties associated with failing to meet their targets and getting a low box mark than to aspire to a Box A and to higher pay.⁸

Table 3.7
Staff views on appraisal

No.	Question	Disagree %	Agree %
52	Throughout the last year, I had sufficient opportunity to discuss my performance with my line manager	36.1	61.4
53	I understand why I was awarded my most recent Box Marking	21.3	72.6
54	My most recent Box Marking was a fair reflection of my performance	31.1	64.8
55	I know what I have to do to get a Box A or B in the future	46.7	48.2
56	I am personally capable of doing what is necessary to get a Box A or B in the future	13.3	77.0
58	Even if my performance is good enough, I doubt I will receive the box marking I deserve	32.5	54.4
59	The nature of my present job makes it very hard for me to meet or exceed objectives	33.6	58.6
61	Staff feel pressured into accepting performance objectives set by management without discussion.	26.9	63.4
16	It (PRP) has meant good work is recognised and rewarded at last	69.0	23.9

It would appear that PRP has had some impact in raising employee awareness in Agency objectives and in improving managers' goal-setting. The majority of staff also believe the performance appraisal system is working correctly. However, doubts were expressed when staff were asked if they knew how to get the top box markings in the future (Q56) and there was also a belief that these appraisals may not reflect actual performance (Q58). The element of pressure felt by staff in the setting of their objectives (Q61) suggests that performance pay has provided management with a channel through which pressure for greater output can be exerted. When staff also reply that performance pay has not meant that 'good work' is at last recognised and rewarded (Q16), it suggests that the pressure is experienced primarily in the direction of greater work intensity rather than what the staff consider to be better quality.

3.6 The Fairness of PRP

A central requirement of any pay system if it is to motivate staff is that they should believe it operates fairly. This is especially true of the Employment Service's scheme where appraisal decides the size of an employee's annual pay increase. The scheme includes a variety of mechanisms which could undermine staff's acceptance of the pay system if they thought they had been applied incorrectly or unfairly. We therefore included a series of questions intended to capture staff perceptions of the scheme's operation. These are reported in Table 3.8.

8. We did not ask this question of the ES staff because the procedures for agreeing personal targets were much less central than in the IR scheme.

Table 3.8
Views on the appropriateness and fairness of PRP

No.	Question	Disagree %	Agree %
14	It (PRP) is difficult to operate because the type of work done in the ES is hard to measure	19.1	72.4
25	The individual performance targets are a suitable basis for determining performance pay	66.8	23.4
106	Performance Pay is a bad idea because not enough staff have sufficient control over their work to change their ways *	23.0	63.8
17	Managers use the scheme to reward their favourites	31.9	41.4
19	Staff are frequently denied the Box Marking they deserve because there is a quota system of Box Markings	15.5	74.5
31	The appeal system ensures unfair appraisals are corrected	45.6	13.0
38	The amount of money an individual receives for a Box A should be substantially increased	44.7	34.7
34	Non-consolidated pay an acceptable method for distributing performance pay	67.0	9.4
23	PRP is simply a device to cut the pay bill	12.1	74.1
22	For all that is said about quality, the Agency's PRP scheme is simply a device to get more work done	21.2	64.7
29	The link with pay makes staff question the fairness of performance appraisals	10.4	77.9

* Only those officers carrying out performance appraisals were asked this question.

A central issue is the suitability of a performance related pay system to work in the Employment Service. In this respect it is important to identify whether staff believe that their work can be accurately measured, whether it is suited to individual assessment and whether they have sufficient control of their work to achieve the objectives which form the basis of their appraisal.

In each case staff surveyed believed this not to be the case. Over 70% of staff believed that their work was difficult to measure (Q14), and over two thirds, that it was inappropriate to use individual performance targets to determine performance pay (Q25). The nature of the problem is illustrated by what we were told, in our feedback discussions with PTC lay officials. If one were to ask ES office staff about their work, they would often talk about how they had helped someone find a job, and this was what they regarded as 'doing a good job' rather than meeting specific placement targets. Often it was hard to place someone to their satisfaction in a short 20 minute interview. For example, sometimes it might take 40 minutes to make a good placement, but the queue of other job seekers awaiting their interviews maintains pressure on staff to keep to the standard time. Finally a large majority of line managers doing appraisals do not believe their staff have enough control of their work to operate performance pay (Q106).

A second question is that of openness. For a PRP system based upon (subjective) appraisal to be seen as fair, it must be seen to be free from manipulation. However, in three important areas this does not appear to be the case in the Employment Service. Firstly, a large proportion, over two-fifths, of staff believe that line managers use the PRP scheme to reward their favourites (Q17). More significantly, almost three quarters of staff believe that the indicative box marking system operates as a *de facto* quota to withhold higher box markings from those staff who deserve them (Q19). Finally, staff also appear to have little faith in the appeal procedure (Q31). It is clear from these responses that staff view the pay system as open to manipulation, with little faith in the appeal system to redress incorrect markings.

At first sight, our findings on favouritism might be contrasted with the small number of complaints actually made, a fact which had surprised the lay officials with whom we discussed our results. However, a number of factors militate against making formal complaints. The procedure is

rather cumbersome, and the prospective gain rather small as four fifths of staff get Box Bs in any case. In addition, the replies on personal performance appraisals, which were rather positive (Table 3.7, Q52, 53 and 54), suggest most staff had not experienced favouritism personally in their own appraisals, but rather knew of cases among their acquaintances. It was therefore reflecting not so much individual experience with the scheme as its reputation in the eyes of the staff.

At a more instrumental level, 'fairness' does not only mean receiving the box marking which performance deserves, but receiving an appropriate level of pay for that level of performance. One issue is the size of rewards for better performance. 'Disagrees' outnumber 'agrees' on whether the extra pay for a Box A should be substantially increased. However, among the ten percent who were awarded Box As, over 60% believe the amount of money should be raised.⁹ So the high performers themselves were not feeling well-rewarded for their efforts. As only 10% get Box As, this leaves a fair number of those getting Box Bs who also felt that the incentive needed to be increased.

A second issue concerns consolidation of performance payments. When staff reach the top of their pay bands, pay awards become non-consolidated lump-sum payments which do not count towards their superannuation. Although this is an improvement for many of those at the top of their pay scales compared with the previous system when they would have got nothing, staff did not seem impressed by the lack of consolidation. Two thirds of staff did not believe it to be suitable (Q34), and the view of those at the top of their pay scale did not differ significantly from those of other staff.¹⁰ One possible explanation for the unpopularity of non-consolidated payments may be that pay is now directly based upon an individual's performance with all the uncertainties that brings.

A final issue concerns staff perceptions of the whole pay system. The ES performance pay scheme was introduced with the intention of clarifying objectives, motivating and rewarding staff and subsequently improving employee performance. However, if the fairness of such a system is called into question, then employees may identify other motives behind the application of the system. In the case of the Employment Service, this manifests itself in two ways. Firstly, almost two-thirds of staff surveyed see the scheme as a means simply to intensify work (Q22). And secondly almost three-quarters perceive the operation of the scheme as designed to cut the overall paybill (Q23).

Overall, staff believe that the link between pay and performance and appraisal calls into question the fairness of the appraisal process (Q29). Thus performance pay, as far as the equity share scheme in the Employment Service is concerned, is generally perceived as contaminating rather than driving employee appraisal.

9. The differences in opinions on differentials when broken down by box markings is statistically significant at the 1% level (chi-squared = 0.002). 48.68% (111) of staff receiving a box B believe the differentials should not be widened while 30.26 (69) do. Surprisingly opinion is almost equally divided amongst the staff receiving a Box C.

10. When responses to the question on non-consolidated pay are broken down by those staff on the top of their pay scale and those yet to reach it no statistically significant differences were found (chi-square = 0.315) Similarly when broken down by box marking there was no significant difference (chi-square = 0.313).

3.7 Performance Pay and Poor Performance

If a performance pay scheme is to reward staff who perform well, then logically it has to be able to identify and penalise poor performance, in order to stop ‘free-riding’. In the Employment Service the removal of incremental progression means that pay awards are determined by box marking. Those judged to have performed unsatisfactorily receive a Box D, get no Equity Shares and no pay rise. They are even excluded from the standard performance award (SPA). Those judged to have performed generally satisfactorily but not to met all their objectives receive a Box C, and one equity share. They are also entitled to the SPA, but have their progression held back through the performance bar.

However, the central question is whether such mechanisms are actually applied and effective. Table 3.9 identifies employee attitudes to the management of poor performance.

Table 3.9
PRP and poor performance

No.	Question	Disagree %	Agree %
28	The Agency’s PRP scheme is a good way to identify poor performance.	63.7	25.5
104	It (PRP) has made it easier for me to deal with poor performance *	64.4	25.0
51	Managers know enough about the jobs of their staff to identify poor performance	44.9	47.8
27	Performance Pay has made staff less willing to tolerate absence in their section.	31.3	44.8

* Only those officers carrying out performance appraisals were asked this question.

These results indicate that the PRP scheme is not generally seen as an effective way of identifying poor performance. Neither managers (Q104), nor staff overall (Q28), believe this to be the case. Opinion is also divided amongst staff as to whether managers know enough about the jobs of their staff despite the scheme’s emphasis on a more direct reporting procedure than in the past (IDS, 1995).¹¹

However, it would appear that instead peer pressure is operating to the same end in the Employment Service to maintain performance levels. Sick leave is often closely monitored by management. But the scheme has made staff less tolerant of absence among their colleagues (Q27). ‘Unwarranted’ sick leave will not only be seen as ‘free-riding’, but will also affect workloads of staff who have to provide cover. This in turn may prevent them from meeting performance objectives and affect their own pay. While such peer pressure may be more effective than direct management action, there are two attendant dangers. Firstly, it may push staff who are genuinely ill to come to work. And secondly, it may cause tension and resentment within the office and so damage teamworking.

3.8 Personal Motivation, Morale and Team Working

11. In the example given it was stated that ‘whereas under the three-grade structure two HEOs would need an SEO to report to, under the new structure an ex-HEO on MPB 3 can now report to another ex-HEO on MPB 2.’ By breaking down the old structure in such a way, one would expect managers to have closer contact with their staff and subsequently more knowledge of their work.

One of the explicit or implicit aims of performance related pay schemes is that of improving motivation. By clarifying objectives for individuals and linking their achievement to financial reward, such a scheme is designed to motivate employees to do better and improve their performance and subsequently that of the organisation.

As in our other case studies, we define motivation as the willingness or preparedness of staff to do something (rather than the actual performance of individuals). Staff were asked whether they felt performance pay had given them an incentive to alter their performance in certain specific directions. One important advantage of asking the question in this way is that it enables the analysis to focus on a rather narrow part of the linkage between motivation and performance, and to concentrate on that. If employees had been asked instead about their actions, it might be hard to reply positively because of some obstacle even though they felt motivated to do so. For example, as already reported, staff have said the nature of their job leaves them little scope to exceed their objectives.

Table 3.10
The individual motivational effects of PRP

No.	Question	Disagree %	Agree %
41	Performance Pay has given me an incentive to work beyond the requirements of the job	84.9	12.2
43	Performance Pay has made me more aware of the importance of being sensitive to my colleagues	66.3	11.1
45	It has given me the incentive to be more effective in my dealings with the public	79.9	8.6
46	It has given me an incentive to get my work priorities right	68.0	21.3
47	It has made me want to show more initiative in my job	73.0	20.0
50	Performance Pay has had no effect on the quality of my work because it was already at the appropriate level	8.4	82.7
44	It (PRP) has caused me to work longer hours	72.0	18.7

The results reported in Table 3.10 show that PRP is not perceived by employees to be a source of motivation. A fifth of staff report that it has encouraged them to prioritise their work better, to show more initiative, and to work longer hours, but in all cases a large majority of staff deny there being any effect on their motivation. By contrast, over 80% of staff surveyed believed that PRP has not affected the quality of their work, since it was already at the appropriate standard (Q.50).

Thus performance pay has not motivated most staff to perform better individually at their own jobs. However, many jobs involve close collaboration with colleagues, and so good organisational performance will depend upon the cooperativeness and general attitudes among colleagues. We asked a number of questions about the possible effects of performance pay on relations and cooperation among colleagues (Table 3.11).

Table 3.11
Effects on morale and cooperation

No.	Question	Disagree %	Agree %
13	PRP causes jealousies between staff.	14.3	78.0
20	PRP has helped undermine staff morale	13.7	77.6
42	PRP has reduced my willingness to co-operate with management	58.5	26.2
99	It has reduced the willingness of many of the staff to co-operate with management*	40.5	38.5
48	PRP has caused greater stress in my job	31.8	57.0

* Question asked of line managers undertaking appraisals.

The results indicate that staff strongly associate PRP with divisiveness. Over three-quarters of those surveyed believe that the scheme causes jealousies (Q.13) and undermines morale (Q.20). However, for most the staff, this does not appear to have affected the willingness of most staff to co-operate with management (Q42). Only a quarter claim that PRP has reduced willingness to co-operate. Of more concern, however, is that 40% of reporting officers believe this to be the case, with only a small majority of those surveyed disagreeing (Q.99). Finally, while a large majority of staff disagree that PRP has caused them to work longer hours (Q.44), 57% of staff attribute greater stress to the scheme (Q.48).

Clearly the Equity Share scheme is not only failing to motivate many of the staff, but it also is believed to damage relations between managers and staff amongst a sizeable minority of staff. Given these responses, it would be fair to surmise that the net effect of performance pay on motivation has been negative.

Turning to team working, the Equity Share scheme in the Employment Service is centred very much on individual objectives. This compares with much of the work in job centres depending upon effective teamwork. Given staff perceptions that PRP causes jealousies and undermines morale and affects co-operation to a lesser degree, can it be reconciled with teamworking?

Table 3.12
Teamworking and PRP

No.	Question	Disagree %	Agree %
12	It (PRP) makes staff less willing to assist colleagues experiencing work difficulties	34.6	52.4
26	The Agency's PRP scheme encourages teamworking	76.6	13.4
32	It would be better to base PM on the performance of groups of staff than of individuals	48.4	35.6
33	Group-based PRP is a bad idea because there are always some colleagues who do not pull their weight	23.6	61.1
49	It has led fellow staff to pressure me to work harder	59.7	26.0

Table 3.12 presents staff replies to questions on teamworking issues. PRP appears to make staff less willing to help colleagues experiencing work difficulties (Q.12). Overall over three-quarters of staff believe that the scheme does not encourage teamworking (Q.26). A likely reason for this would be the emphasis on achieving individual work objectives. These could be jeopardised by working with and assisting colleagues, especially if such work is not recognised within performance agreements.

However, most staff do not believe that a system of group-based performance pay would be more appropriate than the current system of individual appraisal (Q.32). One main reason for

this appears to be the fear that group-PRP would be particularly prone to free-riding (Q.33). This is reinforced by the fact that the largest group of staff which oppose group-PRP is the group in favour of the principle of linking pay to performance.¹²

Finally, only one-quarter of staff believed that PRP had caused their colleagues to pressurise them to work harder. Although the proportion of staff who believed this to be the case increased with lower box markings, it was not statistically significant.¹³ This would suggest that the orientation of the equity share scheme towards individual performance does not create 'peer pressure' for improved teamworking. Instead, as was noted with sickness absence (Q.27 Table 3.9 above), the peer pressure appears to have been motivated by fear for one's own prospects of performance pay.

3.9 Performance Pay and Performance

Beyond staff judgements of the effects of performance pay on their own performance, we have two sources of evidence on performance more generally. The first is indirect. In the Employment Service, staff numbers have declined sharply from 52,000 in 1993 to 35,000 in 1997. In contrast, work loads, whose main determinant is the rate of unemployment, have not fallen proportionately.

The more direct evidence stems from the replies by line managers who had carried out appraisals. In their view, has performance pay encouraged the staff they supervise to perform better? Our key results are presented in Table 3.3. Just under 30% of line managers believe their staff are working harder as a result of performance pay, and just under 20% believe it has caused their staff to work beyond their job requirements. Assuming these middle managers direct the work of roughly similar numbers of staff, which is likely because of their concentration in one or two grades, then it would seem that performance pay has caused about 30% of the staff to work harder, but that it has not boosted the efforts of the other 70% ('disagrees' plus 'no views')¹⁴. The impact on quality, again following line manager judgements, has been rather smaller, improvements for around 20% of the staff, and only ten percent being induced to give sustained high performance or more commitment.

12. Of the 191 staff questioned about group-based PRP, 124 (42.6%) of those who opposed its introduction were in favour of the principle of PRP. Against this only 19 (6.5%) of staff opposing PRP in principle also opposed the idea of group based PRP. 40 staff (13.7%), although against the principle of PRP, believed group PRP would be an improvement. Finally, 55 staff (18.9%) of staff in favour of PRP believed group-based PRP would be a better solution.

13. Chi-square = 0.363

14. We also checked there was not strong variation in response to this question by pay band. In fact, the distribution of replies on whether staff were working harder was very similar across pay bands.

Table 3.13
Line manager assessments of whether PRP has caused staff to work harder

No.	Question	Disagree %	Agree %
102	PRP has led to an increase in the quantity of work many of the staff do	58.5	27.9
98	The existence of Performance Pay has caused many staff to work beyond the requirements of their job.	72.3	18.7
101	PRP has helped to increase the quality of the work of many of the staff.	71.9	18.0
100	PRP has led to many staff giving sustained high performance at work.	77.9	9.6
103	PRP has made many of the staff more committed to their work.	76.6	10.2

Interpreting the ‘disagrees’ requires more care. Strictly speaking, they imply that PRP had, at best, no effect on these issues. However, if they were simply agnostic, they could report ‘no view’. The fact that so many actually disagreed, and about one tenth did so ‘strongly’, suggests they believed the impact was negative. The one exception was on work quantity where only one in twenty strongly disagreed.

The other evidence from line managers on staff performance bears mainly on the quality of cooperation. In Table 3.11 above, it was shown that about 40% of line managers appraising staff believed performance pay had damaged staff willingness to cooperate with management (Q99).

Thus, it would seem that performance pay has led to an increase in the quantity of work done by a substantial minority of staff (a view supported by our interviews with PTC lay officials). In line with the staff replies about their own experience, the effect in improving the qualitative aspects of work has been smaller. There is also clear indication that it has strained work relations between staff and their managers, and generated a degree of peer group and line manager pressure to raise performance. The latter points can be seen in the 25% of staff who replied that they felt pressured by their colleagues to work harder (Q49), and the 60% who said staff felt pressured by management into accepting performance objectives without discussion (Q61).

Shortly after our survey was completed, an event was reported which revealed a major weakness in the Employment Service’s performance pay scheme. *The Guardian* newspaper ran a series of short articles on the artificial inflation of job placement figures by staff in the Agency¹⁵. The then government had launched a confidential internal enquiry into the over-recording of job placements in a number of offices across the country. From the reports, and our own fieldwork, it appears that what began as a minor abuse, recording as definite placements that had still to be confirmed, had begun to escalate under the incentives provided within the scheme. As managers, and even the minister responsible, were being judged on the same target of achieving large numbers of job placements, there was a strong temptation for management to turn a ‘blind eye’. Indeed, as the Equity Share scheme fixed the budget for performance pay, there was no additional financial cost to the Agency in such practices. In the run-up to the general election, the government was under pressure to show that it was tackling unemployment, and the then shadow Employment Spokesperson, Peter Hain, accused the government of pressuring managers and staff to inflate the job placement figures. Some the practices reported by *The Guardian*, such as wholesale double recording of large numbers of placements at major local employers, went beyond a bit of optimistic reporting by individual staff, and would have required management involvement. Indeed, *The Guardian* reported estimates the placements had been inflated nationally by between 10% and 30%.

15. Guardian (29.3.97) ‘Jobcentres “fiddled figures to boost employment statistics”’; Guardian (1.4.97) ‘McDonald’s job data “abused”’; Guardian (16.4.97) ‘Fake job figures scandal exposed’.

Although wisdom is easy with hindsight, the design of the scheme at the ES clearly lent itself to such abuse. If managers have the same targets at staff, then they have little incentive to prevent over-recording as this feeds into achievement of their own targets. In addition, the scheme is potentially unstable in that once over-recording practices become established, staff who do not behave likewise will be penalised as it becomes harder for them to achieve the same measured performance as those who over-record. So the scheme begins to punish those who behave honestly. The scheme may also have become more vulnerable to such abuses because, as our survey results show, staff felt that the targets stressed only one aspect of their job, and not necessarily the most important one, and that they were imposed without proper agreement. Fortunately for the ES, most staff still felt that their work consisted of helping real people to find real jobs, and that this was what their managers and the service as a whole wanted. The targets were just numbers in a game, except that if staff missed their targets, as a result of playing by the explicit rules and being 'too honest', they would run the risk of being penalised.

The other source of instability in the scheme that can be inferred from our study is the lack of commitment staff felt to the scheme because it was felt to be unfair in its operation. Because of this, one needs to be cautious about judging the scheme a success because a considerable proportion of the staff appear to be working harder. There are clear signs of demoralisation which weaken the scheme's legitimacy in the eyes of the staff. First are the feelings of injustice in the scheme, that line managers were guilty of favouritism, and higher management cheated by imposing a quota on good ratings, even if this were a feeling and not the reality. Secondly, many staff felt that they were being pushed into targets which they thought did not reflect the totality of what they considered to be 'good performance': the emphasis on quantity rather than quality of performance. Finally, in setting individual targets, most staff felt that 'agreement' was a misnomer as they felt pressured into accepting what management wanted without discussion. All this has engendered a degree of cynicism about the Equity Share scheme so that, despite some of its good points, it became vulnerable to the kind of scams reported by *The Guardian*.

Chapter 4

The Inland Revenue and the Employment Service Compared

4.1 Introduction: Why the Comparison?

The separate studies of performance pay in the Inland Revenue and the Employment Service provide a general picture of how effective have been the schemes in the two departments, but because our surveys cover rather different populations, it is difficult to draw more general conclusions. In this chapter, we focus on one particular occupational group, well-represented in both studies, to ask two main questions. First, to what extent are the findings of the Inland Revenue study representative of the situation across the civil service; and second, how far different ways of handling the overall amount of money available for performance payments can lead to a more positive effect on motivation.

The first question is an obvious one to ask. The Inland Revenue is but one department of the British civil service, and like all departments has its own distinctive traditions and history which differ from those of the others. In particular, a number of factors might be thought likely to affect Revenue staff attitudes to performance pay, causing them to differ from those of other departments. The Inland Revenue has long had its own separate staff federation for its main grades; the specialist nature of the skills used, and a more active external labour market they command, might be thought to affect attitudes; and it was among the first departments to link pay to performance so that its staff are more accustomed to it.

The department chosen for comparison, the Employment Service, was formerly an integral part of the central civil service, in the Employment Department. Like the Inland Revenue, it has a large network of local offices responsible for providing a locally based service to the public: job placement and the payment of unemployment benefit, and more recently, the job seekers allowance. The Service, in common with the other large functional groups within the civil service, was established as an Executive Agency, in April 1990, under the governments Next Steps programme for devolving civil service management. It applied for pay delegation in 1992, establishing its own pay and grading system with the agreement of 1994. Other groups to establish their own pay and conditions in that year include HM Customs and Excise, and the Benefits Agency, responsible for administering social security benefits.

Staff at the Inland Revenue have long had a distinctive identity in the Civil Service owing to their representation by a departmental union, the Inland Revenue Staff Federation (IRSF) now part of the PTC (Public Services, Tax and Commerce Union). In contrast, staff in the Employment Service, when part of the Employment Department, shared an inter-departmental system of representation by grade. This was the pattern enshrined on the old Civil Service National Whitley Council up to the early 1980s (ACAS, 1980). The Employment Department shared the grade titles of Administrative Office and Assistant, Executive Officer, Higher EO, Senior EO and Principals, with the other main civil service departments, whereas the Inland Revenue had its own grades of Revenue Assistant, Revenue Officer, Revenue Executive, Inspector and Collector. Inland Revenue staff have had their own separate agreement since 1988 (IDS Public Sector Pay, 1988: 27).

Behind this separate identity at the Revenue lie distinctive skills that set Revenue staff apart from many other civil servants. Their work involves detailed knowledge of the tax system, which makes them less inter-changeable with civil servants in many other government departments who

have developed general administrative skills required by the civil service¹. Apart from IT staff, tax specialists are one of the few civil service groups to have a well-established market for their skills in the private sector, and this reflected in the regular advertisements of vacancies by private firms in the Revenue staff union journals. Employment Service staff may well have skills of use to private job placement agencies, but their prospects are less lucrative. As a result, one might expect Revenue staff to be more aware of job and pay opportunities outside the civil service, and for management to have to deal with the pressures these create.

Finally, the Inland Revenue was one of the first government departments to develop a fully-fledged performance pay scheme for all its staff, in 1988. In other departments, the schemes initially introduced often also gave performance pay to those whose performance fully met normal requirements, and so were less thoroughgoing than at the Revenue (Kessler, 1993). Thus, it might be thought that the culture change associated with performance pay would be more deeply rooted there, and staff would be more familiar with its basic principles.

For all these reasons then, one might expect staff at the Inland Revenue to respond to performance pay differently from those from other government departments. They might have grown to accept its principles, or they might have been so put off by their experience that they have come to reject them. The same set of reasons might lead one to expect staff in the Employment Service to be much closer to the mainstream views of civil servants. Hence, the comparison between the two.

The second purpose of comparing the reactions to PRP at the Inland Revenue with those of the Employment Service lies in the nature of the schemes, and in particular, the different methods for resolving the tension between rewarding good performance of individual staff while at the same time maintaining control of the pay bill. The results of the study of the first Inland Revenue scheme suggested that a failure to resolve such tensions in the eyes of the staff had caused them to doubt the fairness with which management operated the scheme (Marsden and Richardson 1994). Many staff believed that management manipulated the appraisal ratings in order to keep within budget. As a result, they felt that good ratings had been frequently denied when they were deserved. The belief in a quota on good appraisals no matter how many staff performed well was pervasive. Evidence from the operation of performance pay in the US Federal Service shows that many staff also thought their system unfair because they believed a quota was in operation despite government regulations forbidding management to set such limits (MSPB 1988, p. 33). Clearly, where productivity is hard to measure, it is difficult for management to be sure whether good performance as measured by staff appraisals corresponds to the levels of organisational performance needed to pay for it, so it takes a bold management to do away with any kind of ceiling. In addition, for staff used to working in an environment in which everything has a budget, a natural calculation is that the amount of money for PRP is also subject to one. Since, in theory, all staff could improve their performance, there is an apparent contradiction between everyone's potentially increased performance and the fixed budget.

The Inland Revenue and Employment Service schemes examined in this paper adopt different strategies for reconciling these tensions. The current Inland Revenue scheme offers pre-agreed percentage increases in pay according to the appraisal ratings of staff in different positions, and officially does not apply a quota either on ratings or on performance payments. The Employment Service agrees an overall budget for PRP payments with the unions, and operates a system of equity shares to translate appraisal scores into performance payments. Both schemes could be seen as addressing one of the major weaknesses identified in the first Inland Revenue scheme which ran from 1989 to 1993.

1. There are, of course, some other groups, such as staff in the Crown Prosecution Service, or at the Patents Office who have similarly specialist expertise.

Some other less fundamental differences between the schemes in the two departments can, and are, also explored owing to the rich variety of questions addressed in the questionnaire.

Finally, because of differences in the employment structures of different government departments, it was decided to concentrate the analysis on a small range of staff grades. We took the executive or middle-management grades in both services. This has the advantage of providing a fairly large and central group of employees in both organisations, while at the same time including a large number in the sample who both were the subject of staff appraisals and were responsible for appraising others. Inclusion of the latter group gave us the opportunity of gauging the effects of the schemes on some aspects of organisational performance as seen by line managers.

4.2 Performance Pay in the Two Departments

The starting point for performance pay in both departments was rather similar. Until the late 1980s, both had incremental pay scales which in theory were not automatic as increments could be withheld for bad performance. But in practice, as the Megaw Inquiry observed, management had made little use of such provisions (Megaw 1982: para 320). Both departments embarked upon PRP in the late 1980s and early 1990s with schemes that gave accelerated increments for outstanding performance, the Inland Revenue after its 1988 agreement, and the future Employment Service, after the civil service agreements for scientists and professionals represented by IPMS in 1992, and executive and support grades represented by NUCPS in 1993 (IDS 1995: 33 ff.). Since then, both departments have abandoned incremental scales in favour of setting only scale minima and maxima, and making progression from one to the other dependent entirely upon performance as assessed by staff appraisal: the Inland Revenue in 1993, and the Employment Service in 1994.

Both the Inland Revenue and the Employment Service have introduced complex remuneration systems following pay delegation, in which performance related pay plays the central role in determining salaries. Both systems are based upon formal performance appraisal linked to targets and both differentiate between levels of good, acceptable and poor performance. This now includes financially penalising staff who perform poorly. Increments have been abolished in both systems, thus giving management more influence over paybill growth than under the former incremental system. A comparison of the pay systems is provided in Table 4.1.

The two schemes differ primarily in their treatment of the budget constraint and its relation with performance appraisal. In the Inland Revenue scheme, the union agreement stipulates a matrix of cash increases for performance levels by pay band, and there is no official limit on the amount of performance payments. In the Employment Service, there is a fixed budget for performance pay, but the rules for translating individual performance into cash amounts are made more transparent by means of variable values for Equity shares. In principle then, both schemes offer a way round the problem of perceived quotas on good appraisals that poisoned the first Inland Revenue scheme.

Table 4.1
Pay Systems in the Inland Revenue and Employment Service

Organisation	Inland Revenue	Employment Service
Implementation Date	1 April 1993	1.4.94 Middle Managers 1.4.95 Support, Clerical & Admin.
Covered by PRP	56,000	35,000
Bargaining Groups	2 Pay Bands A-B, Pay Bands C-E	3 Senior Grades MPBs 1-6 MPB 7 :PB 8-9
Unions Recognised	Pay Bands A-B - PTC/IPMS/FDA Pay Bands C-E PTC/CPSA	Senior Grades - PTC/FDA MPBs 1-6 - PTC/CPSA MPB 7: PB 8-9 - PTC/CPSA
Regrading	Pay Bands/Spans	(Management) Pay Bands Assimilation Pay Bands
Performance Pay	A percentage increase based on individual's appraisal score and position within pay span	Equity Shares - value of shares calculated by reference to mid point of each pay band.
Assessment Categories	3 Exceed Succeed Not Met	4 Box A Box B Box C Box D
Penalise poor performance	Yes	Yes
Cost of living element	Yes (Pay Bands C-E only)	Yes
Progression	Consolidation of PRP and cost of living element up to pay band/ span maxima	Consolidation of PRP and cost of living element up to pay band maxima/Performance Bar
Annual pay increments	No: loss of larger incremental steps at lower end of old pay scales compensated by higher percentage payments at lower end of pay span/band.	No
Appeals System	Yes	Yes
Additional Elements	Extra-Loading for heavy workloads	Performance Bar to make progression conditional on good performance, until 1996.

A second difference lies in the linking of individual performance objectives to those of the organisation. In the Employment Service stress is placed in individual performance agreements on contribution to the explicit targets of the agency's business objectives in job placements and accurate and timely benefit payments. These objectives are additionally tied to the state of the labour market. In the case of the Inland Revenue, the link with the organisations objectives is less specific and more diffuse, stressing the Four Cs of customer service, compliance, cost efficiency, and caring for staff.

Finally, it would appear that the size of performance payments is somewhat larger in the Inland Revenue, although a precise comparison would require taking account of the probability of receiving them, and the incidence of consolidated and non-consolidated payments, affected for example, by the numbers at the top of their respective pay scales.

4.3 Two Workforces with Similar Job Demands and Work Orientations

One of the notable features of our sample are the strong similarities between the workforces of the Inland Revenue and Employment Service. This relates to work pressures, demographic characteristics of the two work forces, at least in the middle management grades covered in this study, and a number of their basic work orientations. This greatly simplifies analysis of the effects of differences in the two performance pay schemes.

4.3.1 Similar types and pressures of service

First of all, despite the differences in activity discussed earlier, the types of work undertaken in the two departments share many common features. Both involve a large amount of office work, but most important, both involve assessment of demands of citizens on central government resources. In the case of the Inland Revenue, the prime task is assessment and collection of taxes. Because entitlement to unemployment benefits, and the Job Seekers' Allowance which has replaced them, depends upon willingness to accept suitable job offers, Employment Service staff have also to exercise a certain compliance function.

Both groups have had to cope with major changes in workload in the two years before our survey: the Inland Revenue staff with the introduction of 'self-assessment' whereby tax payers take over the responsibility for assessing their tax liabilities, and the Employment Service, with the introduction of the new Job Seekers' Allowance.

Finally, staff in both departments can have a difficult relationship with the public: tax officials in dealing with erroneous and possibly fraudulent tax returns, and Employment Service staff who may face violence from some members of the public when benefit payments are refused.²

4.3.2 Demographic similarity

For the grades covered in this paper, there are many similarities in the type of employee and service conditions in the two departments. About half the respondents are women, 45% in the Revenue, and 57% in the Employment Service; and about half are aged over 40, 58% in the Revenue, and 48% in the Employment Service; about 90% in both departments have been in the civil service for more than ten years, and half of the Revenue staff, and three quarters of the ES staff have been in their current office for more than five years, and slightly over half in each department reported being at the top of their pay scale. About nine out of ten staff work full time, and one third in both departments held their previous job in the private sector.

Thus in both departments, we are dealing with staff who have considerable employment stability, and will have known the pay and conditions prevailing before the introduction of performance pay. But even though many of them probably consider themselves 'career civil servants', this does not preclude direct knowledge of private sector conditions.

4.3.3 Similar scores on work orientations

Employees in the two samples share a large number of work priorities affecting their orientations to work. Job security and level of income rate highly as important issues in their current jobs, as do interesting and varied work, and the opportunity to exercise responsibility (Table 4.2).

2. For example, the PTC has been pressing for the use of security screens to protect all staff.

Table 4.2
Employee work priorities by organisation

Organisation	Question	Disagree %	Agree %	Valid Response
The following issues are important to me in my job:				
Employment	Job Security	9.63	87.04	270
Revenue		6.04	90.78	596
Employment	My level of income	4.80	92.99	271
Revenue		9.38	88.44	597
Employment	Varied and interesting work	14.81	76.30	270
Revenue		19.77	71.86	597
Employment	Opportunity to exercise	10.34	79.34	271
Revenue	Responsibility	11.07	73.65	596
Employment	Contributing to an important	14.12	65.80	269
Revenue	public service	26.00	50.84	596
Employment	Working as a member of a	14.13	68.40	269
Revenue	Team	30.77	44.79	585

The sense of contributing to an important public service also counts highly, albeit it less so in the Revenue than in our 1991 survey. Team working also figures less highly at the Revenue than at the ES, but nevertheless was valued by a majority of those expressing a view (Table 4.2)³.

Another aspect of employee work attitudes to attract much attention recently has been that of 'organisational citizenship behaviour': do employees consider themselves to be under a kind of moral obligation to behave as 'good citizens' of their organisations. In concrete terms, this might be expressed in terms of a willingness to engage in activities that are beneficial to the organisation, but not necessarily immediately useful to the person concerned. Subject to the limitations of a questionnaire survey, we asked whether people tried to keep well-informed and undertake training if beneficial to the organisation, and whether they showed goodwill to complete urgent tasks. Both of these activities are usually beyond the minimal requirements of most people's normal work roles. On this index, the great majority of middle management staff in both departments considered they behaved as good organisational citizens (Table 4.3).

3. The data from the survey shown in this paper are all unweighted. It was felt preferable to leave them thus on account of the greater homogeneity of the grades surveyed than in our other surveys, the broad similarity of response across grades, and the fact that each agency had a different grade structure.

Table 4.3
Attitudes relating to organisational citizenship

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	I keep myself well-informed and undertake Training when I think this may benefit the ES/IR	10.70	78.23	271
Revenue		11.88	76.59	598
Employment	I always show goodwill to complete an Urgent task	6.27	90.41	271
Revenue		3.50	92.99	599

Middle management staff in the two departments are also very similar in terms of their greater attachment to their current office than to the department as a whole (Table 4.4). Most feel 'part of the family' and committed to their current office, but the departments themselves do not inspire strong affective bonds among their staff. Thus, the broadly similar percentages being happy to spend the rest of their careers in to two organisations probably reflects a mix of a belief in the value of their public service, attachment to their office, and the material benefits of pay and relative job security.

Table 4.4
Attitudes to working in the Revenue and Employment Service

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	I feel 'part of the family' in my current Office	28.41	59.41	271
Revenue		33.89	54.59	599
Employment	I feel a strong sense of commitment to my current office	28.04	61.25	271
Revenue		28.26	56.36	598
Employment	I feel 'part of the family' in the Agency/Revenue	72.59	13.33	270
Revenue		69.13	14.76	596
Employment	I would be very happy to spend the rest Of my career in the ES/IR	41.85	41.11	270
Revenue		25.76	54.38	594
Employment	I do not feel 'emotionally attached' to the ES/IR	26.39	59.10	269
Revenue		28.36	57.04	596
Employment	I feel a strong sense of commitment to The ES/IR	47.39	36.94	268
Revenue		40.43	36.92	596
Employment	Working in the Agency/Revenue means a Great deal to me	52.77	20.66	271
Revenue		42.98	30.27	598

Lest it be thought that such responses are somehow conventional, and so of little interest, we know they can change over time, as is illustrated by comparison of the 1996 Inland Revenue results with those of 1991 (see French and Marsden, 1996). There high levels of dissatisfaction with Performance Management have been associated with a sharp drop in the various measures of affective commitment to the organisation and even to the office.

4.3.4 Similar views on pay principles

A final similarity between the middle management staff of the two departments can be found in their views concerning the general principle of relating pay to performance, and to other principles of pay determination. A clear majority in both organisations thought the principle a good one, and rejected the idea that it is fundamentally unfair (Table 4.5). So there is no question that differences in response to the workings of performance pay in the two departments arise from differences in pre-existing views on the subject.

Table 4.5
Attitudes to the principle of performance pay by organisation

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	The principle of relating pay to	26.94	71.59	271
Revenue	Performance is a good one	34.34	62.17	600
Employment	The idea of performance pay is	71.11	22.23	270
Revenue	Fundamentally unfair	58.35	34.57	593

On a whole array of widely used pay principles, the views of staff in the two organisations are remarkably similar. Most staff would not want pay to be based solely on individual performance; there should be more recognition of differences in workloads among people in the same pay band, and pay should reflect job demands not individual performance (Table 4.6). Compensation for cost of living rises, and an attachment to nationally negotiated pay scales were also important. On the other hand, on more rewards for experience and pay being responsive to labour market pressures, replies were more evenly divided, in both organisations.

Thus, staff in the two organisations share a great many beliefs about their work and their pay, the spread of replies to these questions proving remarkably similar. Without comparable data on private sector organisations, and on other branches of the civil service, it is impossible to say whether these represent part of a distinctive work and pay culture across the civil service. Nevertheless, surveys by the authors in two NHS trust hospitals suggest similar views there of pay principles, and a small scale study by Carroll (1993), replicating the questionnaire of the 1991 Inland Revenue survey in a high street bank indicated some notable differences.

Table 4.6
Staff attitudes to different pay principles

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	Staff should be paid solely on the basis of	75.92	17.40	270
Revenue	Individual performance	69.28	24.54	599
Employment	Pay should take into account different duties	26.29	65.19	270
Revenue	Carried out by staff in the Band/span	26.21	61.27	599
Employment	Pay should reflect the demands of the job and	28.89	59.63	270
Revenue	Not the performance of individual Job holders	31.27	56.35	598
Employment	Experience (i.e. years in the job) should count	53.14	32.47	271
Revenue	More towards determining pay Levels	41.38	47.91	597
Employment	Annual pay rises should be used primarily	19.19	72.33	271
Revenue	To compensate for rises In the cost of living	28.48	64.32	597
Employment	People should be paid according to	12.64	79.18	269
Revenue	Nationally negotiated pay scales	10.89	79.90	597
Employment	Staff should be paid more if their skills	43.91	37.64	271
Revenue	Are in short supply	42.34	43.17	600

4.4 Impact of Performance Pay in the Employment Service and the Inland Revenue

As stated earlier, this paper has two main goals: to test how far the response to performance pay by staff at the Inland Revenue could be taken as typical of major government departments; and to examine the impact of different types of performance pay scheme, the most important of which being the handling of potential conflicts between staff performance and budgetary constraints which poisoned staff views of the scheme's operation in 1991. In this section, we start therefore by looking at staff views on the schemes' fairness of operation and on the existence of 'quotas'.

4.4.1 Quota and budgetary effects

The most striking response is that despite the different approaches to the 'quota' problem, three quarters of staff in both departments believe good appraisals are frequently denied because management operate a quota on good appraisals. A similar percentage (of all grades) thought the same in 1991. Moreover, a high percentage of those actually conducting appraisals also believed there was a quota which deprived some deserving staff of the highest ratings.⁴ This is surprising

4. In the Employment Service, 76% of line managers carrying out appraisals believed a quota was in operation compared with 71% of other executive grade staff. In the Inland Revenue, the corresponding figures were 65% among line managers, and 82% among other staff.

because it seems that no matter what signal management give staff to the contrary, they are not believed. In the Revenue, as in the US Federal Service, strongly stated top management policies that there should be no quota appear to have had little impact. Nor does making the value of Equity Shares variable, so that in theory everyone could get a top rating without upsetting the department's budget, appear to have much impact on the belief. Line managers appear to have taken the indicative distribution of box markings mentioned in the agreement (§42) as a ceiling.

The existence of an appeals system might be thought to counter-balance such scepticism as staff who believed they had been affected by a quota system could challenge their rating. However, a number of practical limitations on appeals systems were raised during internal reviews within the Inland Revenue, notably, that many staff believed the potential financial gain to be small compared with the trouble involved and the potential risk to future promotion (Chairman's Review).

The problem is driven home by the very large percentages of staff, roughly four out of every five, who believe the link with pay has caused staff to question the fairness of performance appraisals (Table 4.7). This perception would seem to be reinforced by the widespread belief that managers use performance pay to reward their favourites. Perhaps as a result, there was general scepticism that the existence of performance pay meant that good work was at last being rewarded.

Performance pay having replaced annual pay increments in both departments, the amounts of money awarded to individuals under the schemes gives an additional twist to the question. A quota on appraisals, and hence on awards, means that the issue is at stake is not simply a bonus which may, or may not, be gained, but the pay progression to which staff had previously been accustomed. Thus, staff may be in two minds over increasing the amount of money available for individual awards. Raising it would potentially improve the rate of pay progression, but it would also increase the uncertainty they face, which is a sensitive issue because of their feeling that the schemes' operation is unfair.

Table 4.7
The perceived fairness of Performance Pay

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	Staff are frequently denied the appraisal	16.30	74.07	270
Revenue	Ratings they deserve because of a quota on good ratings *	18.00	74.17	600
Employment	The appeal system ensures unfair	45.18	13.33	270
Revenue	Appraisals are corrected	55.30	12.10	595
Employment	The link with pay makes staff question	10.37	77.41	270
Revenue	the fairness of performance appraisals	6.22	88.06	595
Employment	Managers use the scheme to reward their	34.45	40.00	270
Revenue	Favourites	27.86	48.15	596
Employment	The amount of money an individual	46.67	33.33	270
Revenue	Receives for a Box A/'exceed' or an 'extra-loaded' should be substantially increased	39.06	43.94	594
Employment	PRP has meant good work is recognised	67.78	24.44	270
Revenue	and rewarded at last	75.25	17.73	598

* For exact text of the question, see Appendix 2

Thus, a first conclusion is that the different approaches to handling potential budget constraints on performance pay systems have not succeeded in eliminating one of the major sources of perceived unfairness in performance pay schemes. In this, both departments' experience is very similar.

4.4.2 Performance pay and goal setting

Apart from seeking to link pay to performance, most performance pay systems place great emphasis on the process of staff appraisal and goal setting. Indeed, some practitioners argue that the pay element is secondary, and is needed simply to force line managers and staff to take the appraisal process seriously.⁵ As noted earlier, the two departments have approached appraisal and objective setting in different ways, the Employment Service placing greater store by linking individual performance targets to explicit targets for the agency as a whole expressed in the language of business objectives. In contrast, the Revenue has adopted more diffuse and qualitative overall targets, but sought to tailor performance objectives to individual members of staff. The advantage of the first could be clearer identification of overall organisational goals by individual staff members, whereas the latter places greater store on the idea that staff need personal targets, adapted to their own abilities, if they are to be motivated effectively. In practice, this is probably more a difference of emphasis by the two managements than of basic philosophy. But given the high management and staff time cost of rigorous appraisal procedures, the difference is surely more than cosmetic.

5. This view was put to us very strongly by personnel managers in one of the NHS trust hospitals whose scheme we surveyed.

A first set of questions addresses staff views on how effectively the two performance pay schemes have been in helping to define their work objectives and linking these with overall organisational objectives (Table 4.8). On balance, it seems that the ES scheme has been more successful in drawing staff attention in general to the agency's overall business objectives among middle managers: about half believed it has in the ES compared with only a third in the Revenue. The question was also put to those carrying out appraisals concerning their staff. Here the results are rather evenly divided between agrees and disagrees, with no clear difference between the two departments. Slightly less than half of the line managers thought the scheme had raised staff awareness of organisational objectives, and a similar share thought the opposite.

Turning to staff views about the effects on their own personal awareness of their organisation's objectives, only about one third reported a positive effect (Table 4.8). Among the others, presumably, some felt the scheme had no effect because they were already aware, and others, simply that the scheme had not enlightened them.

An important feature of both performance management schemes lies in the break with the former civil service appraisal system that stressed a number of general work criteria, the version used by the Inland Revenue in 1991 used about a dozen such criteria, such as getting work priorities right, being sensitive to colleagues, cooperation with management, being effective in dealings with the public and so on. Both of the new schemes shift the emphasis towards job-related objectives, this being most fully developed in the Inland Revenue's system of individual performance agreements. In both departments, although many middle management staff believe the schemes have led managers to set individual performance targets more clearly, there is a distinct difference between the two: about half believe the effect positive in the ES, but less than a third do so in the Revenue.

For all the staff and line manager effort put into appraisal and its link with pay, in both organisations, there is a widespread belief that the basic, underlying, performance objective is greater quantity. Qualitative objectives, it is felt, are given only secondary importance. Staff resent this because they believe the qualitative aspects of their jobs are important (see the earlier discussion of public service and citizenship), but hard to measure, which makes performance pay hard to operate. Given these responses, it is easy to understand why so few staff believe that their individual performance targets are a suitable basis for determining performance.

To recapitulate, on goal setting, the differences in middle management views between the two departments are rather small, but criticism of the perceived ineffectiveness of goal setting and the stress on quantity despite the references to qualitative goals is markedly stronger at the Revenue. In particular, Revenue staff are much more dubious that performance pay has led managers to set work goals more clearly.

Table 4.8
Goal setting functions of PRP

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	Performance Pay raises staff awareness of the objectives of the Agency /PM	46.86	48.71	271
Revenue		58.86	34.28	598
Employment	Performance pay/PM has made staff more aware of the Agency's/ Revenue's targets	47.24	46.73	199**
Revenue		49.16	43.03	258**
Employment	Performance Pay has made me more aware of the targets of the Agency/ Revenue	58.15	37.03	270
Revenue		56.11	34.17	597
Employment	PRP has made managers set work targets more clearly	45.01	49.08	271
Revenue		58.43	31.56	599
Employment	For all that is said about quality, the Agency's PRP scheme/PM is simply a device to get more work done	22.96	61.11	270
Revenue		17.39	70.23	598
Employment	It is difficult to operate because the type of work done is hard to measure	21.03	69.74	271
Revenue		15.64	79.03	601
Employment	The individual performance targets are a suitable basis for determining performance	67.41	22.22	270
Revenue		62.17	23.99	592

** Only managers assessing staff were asked this question

If we follow the lines of 'expectancy theory', then for performance pay to motivate staff, they must believe their increased effort can lead to higher performance, and to greater reward. Our study has already highlighted a good deal of scepticism among staff that appropriate rewards will follow good performance, but as everyone knows life is full of rough justice it might not be too damaging to the schemes. They might still believe there is a good enough chance or reward, particularly if they believe they can achieve the kinds of performance the schemes are intended to promote. It is therefore important to discover how far staff understand their operation and whether they know what they have to do in order to get good ratings, and whether they think they have the ability and the opportunity to do so.

The great majority of staff in both organisations believe they understand how their respective scheme works, and why they got their most recent appraisal rating (Table 4.9). This was no doubt helped by the fact that around 60% believed they had had sufficient opportunity to discuss their performance with their line manager during the year, which suggests that the main appraisal procedures were being applied. However, for all the rhetoric of staff agreeing their objectives with their line managers, over 60% in both organisations report that staff feel pressured into accepting objectives set by management.

Table 4.9
Staff understanding of how the schemes work

Organisation	Question	Disagree %	Agree %	Valid Response
Employment Revenue	I do not understand how the Agency's PRP scheme/ PM operates	71.75 88.42	19.70 7.55	269 596
Employment Revenue	Throughout the last year, I had sufficient opportunity to discuss my performance	35.69 36.06	61.71 59.10	269 599
Employment Revenue	I understand why I was awarded my most Recent Box Marking /performance assessment	22.68 11.19	71.01 84.48	269 599
Employment Revenue	Staff feel pressured into accepting performance objectives set by management	28.26 26.25	62.82 61.87	269 598

Even though staff feel they understand how their scheme works, there remains a rather pervasive feeling that they do not know what they need to do in order to gain a high rating, even though many of the respondents themselves carry out appraisals (see Table 4.10). Nevertheless, most believe they are personally capable of doing what is necessary. The apparent contradiction with the previous question may be explained by the belief among many staff, and their line managers, that their current job does not give them scope to excel, or exceed their objectives. Thus constrained, it is quite consistent for many to believe that their last appraisal was a fair reflection of their performance.

Nevertheless, there remains one item that echoes the earlier discussion of quotas, and the later discussion of motivation effects, namely, the belief that even if they perform well, staff will not gain high appraisals. This reply may reflect a tendency among many staff to lower their expectations of reward, and to adjust their performance accordingly. They know what they need to do to get an 'A', but they do not believe they will get one even if they perform well, so they give standard performance. Hence, their middle-grade appraisals are felt to be a fair reflection of their performance.

Table 4.10
Staff views on their ability to obtain performance pay awards

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	I know what I have to do to get a Box A or	47.39	47.01	268
Revenue	B/'Exceed' in the future	55.78	40.20	597
Employment	I am personally capable of doing what is	12.64	77.70	269
Revenue	necessary to get a Box A or B/'Exceed' in the future	18.89	69.90	598
Employment	The nature of my present job makes it	34.20	57.99	269
Revenue	very hard for me to meet or exceed my objectives*	32.61	60.87	598
Employment	Performance pay is a bad idea because	22.3	65.2	183**
Revenue	staff have insufficient control over their work to change their ways **	27.0	56.7	259**
Employment	My most recent Box Marking/	33.83	62.45	269
Revenue	performance assessment was a fair reflection of my performance	29.26	65.56	598
Employment	Even if my performance is good enough ,	33.46	53.90	269
Revenue	I doubt I will receive the Box Marking I deserve/an 'Exceed'	34.28	57.86	598

* For precise wording see Appendix 2.

** Replies by line managers doing appraisals.

Finally, performance management schemes often have an important function in dealing with poor performance. This can be beneficial to organisations in tightening up minimum performance standards and so boosting average performance. But more important, poor performance by some colleagues can be a cancer that eats away at the morale of others, especially if it adds to their workload, and management seems to do little about it.

Table 4.11
Effectiveness in dealing with poor performance

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	The Agency's PRP scheme/PM is a good	64.81	24.07	270
Revenue	way to identify poor performance	63.85	26.01	592
Employment	Managers know enough about the jobs of	42.59	48.52	270
Revenue	their staff to identify poor performance	38.57	55.43	599
Employment	PRP has made it easier for me to deal	63.31	24.12	199**
Revenue	with poor performance	63.71	27.03	259**

** Only Managers assessing staff performance were asked this question

Here, once again, the replies of staff in both organisations were remarkably similar. About two thirds thought the schemes were not good at identifying poor performance, but the majority of

staff thought their line managers knew enough about the jobs in question to identify it. What may seem puzzling, is that despite the increased opportunity given to managers to discuss performance with their staff, annual appraisals and regular meetings in between, only a quarter felt the schemes had made it easier for them to deal with poor performance. Part of the answer may lie in the fact that certain types of poor performance are not due to lack of motivation but to outside pressures. For example, common causes of absenteeism include problems with childcare arrangements, and other family responsibilities. Another part can be found in the response by line managers (Table 4.10) that many staff have insufficient control over their work to change their ways: job demands may not always match employees' abilities, the remedy being training, job redesign or assignment to other duties, rather than withholding performance pay.

4.4.3 Work motivation effects

Work motivation is a very general concept, and to get meaningful replies from staff we broke it down into willingness to undertake a number of different kinds of activity. In this we were guided by a number of aspects of work performance mentioned by management in the previous appraisal schemes and under the new performance agreement approach. We ask first about a number of aspects of individual performance, and then about team working and cooperation with other colleagues and with management.

Very few staff said performance pay had given them an incentive to work beyond the requirements of their job in either organisation. One, optimistic, reading of this is that many staff do this anyway, as suggested by their earlier replies on 'organisational citizenship': showing goodwill to complete an urgent task, and willingness to undertake training. A less optimistic reading is that the scope for such 'extra role' activity is limited by the job demands staff face: suggested by the replies of both staff and line managers concerning the scope staff have to vary their performance (Table 4.12). Taking the broad view of one's job, and avoiding 'who does what?' arguments, might be a classic way of posing the question of extra role responsibilities, but it is not a terribly helpful one in an environment of 'stretching' individual performance targets and individual accountability for certain tasks.

Between only a tenth and a fifth of middle management staff seemed to think that performance pay had given an incentive to get work priorities right, show more initiative, be more sensitive to work colleagues, or to be more effective with the public. Against this, large percentages of staff felt performance pay had been without effect.

Table 4.12
Individual motivation and performance pay

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	Performance Pay has given me an incentive to work beyond the requirements of the job	85.18	11.48	270
Revenue		81.91	15.58	597
Employment	PRP has given me an incentive to get my work priorities right	66.66	22.96	270
Revenue		71.24	21.07	598
Employment	PRP has made me want to show more initiative in my job	72.87	20.08	269
Revenue		78.90	15.41	597
Employment	Performance Pay has made me more aware of the importance of being sensitive to my colleagues	67.78	10.37	270
Revenue		69.69	13.07	597
Employment	PRP has given me the incentive to be more effective in my dealings with the public	77.24	8.96	268
Revenue		78.72	10.05	597
Employment	The personal satisfaction I derive from my work is sufficient incentive for me to do what is needed to get a Box A or B/'Exceed'	37.31	49.62	268
Revenue		54.62	34.79	595
Employment	Performance Pay has had no effect on the quality of my work because it was already at the appropriate standard	8.15	82.59	270
Revenue		9.20	86.79	598

Lack of any strong effect on individual incentives may not matter much if staff are strongly motivated by non-financial rewards, or if job responsibilities are already well-defined and adhered to. Intrinsic motivation is clearly a strong factor, as about half of ES staff, and a third of IR staff say that the personal satisfaction from their work is incentive enough to work at a high standard. However, over a third of ES, and more than half of the IR middle managers replied that satisfaction was not enough. In IR the figure was well up on 1991, indicating that 'intrinsic' factors now hold less influence than in the past.

The other factor, that staff believed they already worked at the appropriate standard for their jobs commanded wide support in both organisations. The implication is that staff felt the margin for additional improvement was small, which is logical if jobs are designed with a specific performance standard in mind and with a strong norm of personal accountability.

4.4.4 Cooperation and team working

More problematic, however, are the responses on the way each relates her or his work to that of other colleagues: cooperation and team working. Clear majorities in both organisations said that performance pay made staff less willing to help colleagues experiencing work difficulties. Even larger majorities reported performance pay causing jealousies between staff, and undermining staff morale.

About a quarter of respondents reported that performance pay had reduced their own willingness to cooperate with management, striking because most of those in the sample were themselves middle managers. Further, a majority of those expressing a view among Revenue line

managers reported that performance pay had reduced the willingness of staff to cooperate with management. Generally, it was felt that performance pay discouraged team working, but there was no strong view that group-based performance pay would be the solution.

It is hard to judge whether this is an ‘unintended consequence’ of performance pay or not. Both departments’ appraisal schemes place heavy emphasis on individual performance agreements and individual accountability for achievement of work targets. Given the perception noted earlier that these are primarily quantitative (Table 4.12), and are not seen as stressing cooperation in practice, it is logical that staff should respond by giving first priority to fulfilling their targets, and should believe their colleagues are behaving in similar fashion. Thus the pressure against team working may not be explicit, but it is certainly a logical implication of the messages given to staff by management.⁶

Table 4.13
Team-working, cooperation, and performance pay

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	PRP makes staff less willing to assist	36.16	51.66	271
Revenue	colleagues experiencing work difficulties	25.71	67.95	599
Employment	PRP causes jealousies between staff	14.93	77.24	268
Revenue		7.35	88.31	599
Employment	Performance Pay has helped to	14.87	75.84	269
Revenue	undermine staff morale	10.05	84.75	597
Employment	PRP reduced my wish to co-operate with	58.89	27.04	270
Revenue	management	56.95	27.64	597
Employment	PRP has reduced the willingness of many	41.71	37.19	199 **
Revenue	of the staff to co-operate with management	39.62	47.31	260**
Employment	The Agency's PRP Scheme/ Performance	11.90	77.70	269
Revenue	Management discourages team working	20.97	70.13	596
Employment	It would be better to base PRP on the	49.63	33.70	270
Revenue	performance of groups	50.25	25.38	595

* Only managers assessing staff performance were asked this question.

On motivational effects, the ES results confirm that the picture at the Inland Revenue is to be found elsewhere in the civil service, and so are not due to any departmental particularities. Personal motivation effects are rather similar between the two organisations, but the damage to team working and cooperation is markedly stronger at the Inland Revenue than in the Employment Service.

6. Similar effects may be generated in other areas. The Employment Service was reported as piloting a new system of ‘job-based’ career development. This treats promotion as primarily a mechanism for filling internal vacancies, and requires that staff demonstrate the competencies appropriate for the vacancy to be filled. Under the previous system, for promotion, they had to demonstrate ability to perform across a wide range of jobs covered by the higher grade before promotion (IDS, 1995: pp. 22-26). Thus promotion would signal assignment to a specific, more demanding, job, rather than elevation to a higher rank in the organisation.

4.5 PRP and Actual Performance

We have few indicators of overall organisational performance by which we may judge the schemes' effects. However, at the Inland Revenue, we were told, in conversations with management, that the overall workload of the organisation has remained more or less constant while staff numbers have been cut, indicating an increase in productivity. Both the Revenue and ES spend considerable sums on monitoring the performance of their organisations, as illustrated by the 1989 NAO study of civil service manpower planning⁷, so such reports are likely to be based on reasonably sound internal evidence, although it was not disclosed to us.

We have better evidence on performance outcomes from the views expressed by line managers responding to our questionnaire. A first indication comes from the number of managers who believe that performance pay has led staff to increase the quantity of work they do: one third in the Revenue, and just under 30% in the ES. Likewise, a substantial minority of line managers believe it has led staff to work beyond the requirements of their jobs, one fifth at the ES and nearly one third at the Revenue. To be sure, a majority of line managers disagree on both counts, but as line managers are generally responsible at this level for rather small numbers of staff, it is very likely that they are talking about their experience with different groups of staff. Unfortunately, the survey gives no further indication on this score.

While a substantial minority of line managers believe performance pay has raised the quantity of work done by staff, rather less believe it has raised quality or induced 'sustained high performance', and even less believe it has made staff more committed to their work.

7. The National Audit Office report on manpower planning in the civil service (NAO 1989) refers to a number of quantitative and qualitative indicators of work done and work measurement in order to estimate likely work loads both at the Inland Revenue, and in the then Employment Group. For example, the same report refers to an analysis of clerical staff productivity in the Taxes and Collection networks which showed a 16% increase in productivity between 1982/3 and 1986/7 (§4.29), and shows a more detailed time series for the Valuation Office. Likewise, Employment Department calculations of cost per casework unit of the unemployment benefit service were cited as illustrations (§4.30). Such efficiency monitoring has been an important part of the overall management process, encouraged by the Financial Management Initiative. Such exercises, as the NAO reported, are expensive: the Revenue spent £2m over four years on setting up its work measurement framework for Taxes and Collection (§4.22), but led to much larger savings.

Table 4.14
Effects of performance pay on productivity (line managers' views)

Organisation	Question	Disagree %	Agree %	Valid Response
Employment	PRP has led to an increase in the quantity of work many of the staff do	58.37	28.43	197
Revenue		60.62	34.36	259
Employment	The existence of Performance Pay has caused many of the staff to work beyond the requirements of their job	71.35	19.10	199
Revenue		63.84	30.00	260
Employment	PRP has helped to increase the quality of the work of many of the staff	71.86	17.59	199
Revenue		79.23	12.31	260
Employment	PRP has led to many of the staff giving sustained high performance at work	76.88	10.55	199
Revenue		76.54	13.46	260
Employment	PRP has made many of the staff more committed to their work	76.77	9.60	198
Revenue		81.15	11.15	260

4.6 Conclusions

Five main conclusions can be drawn from this study concerning the effects of performance pay in the civil service:

- the effects observed at the Inland Revenue in 1991 and 1996 cannot be dismissed as atypical. On most questions, replies by Employment Service middle managers are remarkably similar to those of the Revenue;
- the different approaches to handling the tension between budget constraints and the potential for all staff to improve their performance have had little effect on reactions to performance pay;
- the different approaches to goal setting were reflected moderately in staff views about the success of the goal setting functions of performance pay, as the simpler goals of the ES appear to have been communicated to staff with greater success than at the Revenue;
- the Inland Revenue appears to have achieved greater success in raising productivity through PRP according to the views of line managers, although it has to be said that they were expressing a minority view in both departments. At the same time, more Revenue staff have been aware of the pressure to raise the quantity of work, and have felt that this prevailed over other, more qualitative, goals stressed by the Citizens' Charter;
- in both departments, the stress on individual work targets and individual accountability, in the eyes of the staff, have undermined team working and cooperation among colleagues, and to some extent, even with management.

Chapter 5

Performance Pay in Two NHS Trust Hospitals

5.1 Introduction

Although the Conservative government's policy had been that performance pay should be adopted across the National Health Service, in practice, it never overcame opposition from staff, their professional associations, and indeed from many managers. However, a small number of trust hospitals did break away from the national Whitley system of pay agreements to set up their own trust terms and conditions, and in doing so, some introduced their own performance pay schemes. This chapter explores the performance pay schemes of two such NHS hospital trusts.

In contrast to the schemes we examine in the civil service, the management of these NHS trust hospitals have enjoyed a great deal of autonomy in both the adoption and design of their schemes. Central government pressure, which was a driving force for individual performance pay in the civil service and in schools, has been weak at trust level. In the present studies, management chose performance pay because they believed it offered certain merits, and they chose schemes they believed adapted to their own organisation's needs.

As a result of this local management autonomy, we have the opportunity not only to look at the overall impact of performance pay on staff motivation and attitudes, but also to compare the effects of an individual and a trust-wide scheme. A third opportunity opened up by the hospital trust schemes is that of comparing their effects on administrative and professional staff as hospitals have a more diverse mix of types of occupations than the other parts of the public service covered in our project.

5.2 Why Contrast Individual and Group Performance Pay?

A common complaint by unions and professional associations is that individual performance pay is divisive. The concern is not confined to staff and their representatives, as many managers also have doubts about individual schemes. So there has long been an interest in group-based performance pay if suitable groups can be defined. Trust hospitals, with employment levels commonly in the band between three and five thousand, offer much simpler units for experimentation with group schemes than do large government departments and agencies. At the same time, they are sufficiently large organisations to have the resources to support a formally administered performance management system with a certain number of checks and balances.

Given these considerations, what are the main theoretical expectations about the different effects of individual and group-based performance incentives? If we take the intensity of direct financial incentives for high performance, then one would expect individual schemes to show the strongest effects because the rewards are focused on key individuals, as are the penalties for poor performance. With group schemes, the financial incentive is widely spread and so diffused across group members. Individual incentive schemes also provide more limited opportunities for 'free-riders' because the reward is confined to those whose effort and performance are judged to be high. In contrast, group incentives are more open to abuse by those who 'do not pull their weight'. Finally, under some circumstances, encouraging individual performance, as is the aim of individual PRP schemes, may undermine cooperation among staff as they compete for rewards. In such cases,

group incentives may be more effective. Thus the question is not an absolute one of whether individual PRP is more effective than group PRP, but rather how far the two approaches actually encourage different kinds of performance. The contrast is summarised in Table 5.1.

Table 5.1
Different expected effects of individual and collective PRP schemes

	Individual	Collective
Intensity of direct financial incentive for high performers	Strong ∴ focused	Weak ∴ spread widely
Incentive for 'free-riders'	Low ∴ reward exclusive	High ∴ reward inclusive
Threat to group cooperation	Competition for individual reward	Incentive to work together
Cost of monitoring	High	Low

There is also an important consideration of cost: monitoring individual performance requires careful appraisal if staff suspicion of injustice and favouritism is to be avoided, whereas monitoring that of a whole trust for the purposes of PRP is considerably smaller. Indeed, if the trust's performance is already being monitored by government quality of service indicators and financial targets, the additional information required may be small.

5.3 The Two NHS Trust Hospitals and their Performance Pay Schemes

5.3.1 The two Trust Hospitals

Both hospitals opted for NHS trust status in 1992-93 among the second wave of hospitals to do so under the reorganisation of the National Health Service and the establishment of an 'internal market' (Table 5.2). In this reform, local hospital management greatly enhanced its autonomy, but in return, had to rely upon winning contracts to supply services to other parts of the NHS. Losing major contracts can be a serious blow to a trust and even threaten their financial viability as happened when the Anglian Harbours NHS Trust did so in September 1996.¹ As a part of the move to trust status, these two hospitals also set their own local pay and conditions for all staff except doctors, and so broke away from the nationally determined Whitley pay and conditions that had prevailed before then. Staff were offered a choice at the time between moving to new trust contracts of employment and remaining on Whitley contracts. Those promoted or recruited thereafter would automatically move on to trust terms and conditions. At the time of our survey, about two thirds of the staff in the individual PRP trust were on trust contracts, compared with just over half at the group-PRP hospital. In terms of their occupational composition, both hospitals are remarkably alike, reflecting the provision of a large number of similar services to their local communities (Table 5.3).

1. Financial Times (14.9.96) NHS trust faces collapse after losing work.

Table 5.2
Main characteristics of the trust hospitals in 1996

	Individual	Trust-wide
Became a trust	1993	1992
Scheme started	1994	1994
Employment size	3k-5k	3k-5k
% on Trust contracts	65-70%	54%
% part-time	40	49
Local labour market	Tight	Less tight

Table 5.3
Employment composition in 1996 (per cent)

Staff grades	Individual	Trust-wide
Ancillary	9	17
Admin & clerical	21	19
Maintenance	2	1
Nurses	51	50
Professional	13	12
Senior managers	4	2
All	100	100

Note: excludes doctors

In terms of their organisational performance, both NHS trust hospitals came out above the national average for a wide range of services. Although neither hospital's performance can be attributed to the presence of PRP on the evidence we have, it can at least be said that they are alike in achieving good standards of quality.

Table 5.4
Performance of the Trusts in terms of NHS league tables 1995/6

	Outpatient Appointments % of patients seen within 30 minutes of appointment time)	Accident and Emergency % of patients assessed within 5 minutes of arrival	Operations cancelled Number of patients not admitted within a month of cancellation of their operation	Outpatient Waiting times % of outpatients seen within 13 and 26 weeks	Inpatient waiting times % of patients admitted within 3 and 12 months		
				13 Weeks	26 Weeks	13 Weeks	26 Weeks
National Performance	90%	94%	8	83%	97%	71%	97%
Individual scheme trust	94% ****	96% *****	0 *****	85% ***	100% *****	68% ***	98% ***
Group Scheme trust	91% ****	91% ****	1 ****	69% *	92% **	71% ****	94% ***

Source: The NHS Performance Guide 1995-96

5.3.2 Management objectives in the two schemes

In both hospital trusts, the introduction of performance related pay was an integral part of more far-reaching changes in the management of pay and incentives within the trust, and was closely associated with the move to local, trust-based, pay determination for all staff except doctors who remain covered by their own national pay arrangements. A common complaint of health service management has been that the national Whitley pay arrangements, with their separate pay scales for each major occupational group and their service-related pay increments, is that they reflect the very strong professional identification of staff and their associations, and so define performance along professional lines. Thus, management has seen them as an obstacle to introducing more modern human resource management methods with a greater emphasis on flexible team working and on performance of the hospital as an organisation.

In the group scheme trust, for example, management was particularly keen to develop 'care teams' as integrated, flexible groups of staff to respond to patient needs. Patient care is multi-disciplinary, so greater efficiency and better care, it believed, can be provided by means of multi-skilling with broader, generic, work roles combined with generic management structures². In contrast, the old Whitley system set separate pay structures for many of the professional groups, and so reinforced the distinct functions of each profession. Local pay, with a common structure for all employees of the Trust was believed to strengthen the idea that staff had common tasks to achieve. The Board also wished to move away from the separate professional hierarchies associated with the occupational groups incorporated into the Whitley system, and to involve health professionals more in the general management of the Trust³.

Over the years too, the Whitley systems had undergone a number of ad hoc adjustments with the gradual accumulation of a host of special allowances for different duties that could not be adequately rewarded within the national scales. Once such allowances have been granted, they are hard to remove even though their original purpose may have long since disappeared. Apart from generating feelings of inequity among staff, many managers anticipated an equal value 'time bomb' as the resulting anomalies often led to pay differences between women and men that could not be justified in terms of the work done.

The concerns about the Whitley system expressed by our two trust hospitals are fairly typical of other trusts even though only a small minority have adopted local pay. In their evidence to the 1995 Nurses' Pay Review Body, the two employer bodies, the National Association of Health Authorities and Trusts (NAHAT) and Federation of NHS Trusts, argued that local pay determination would facilitate a number of personnel management reforms of the kind just discussed⁴. However, despite this belief, and the encouragement of local pay determination by the

2. One example given to us was that physiotherapists work Monday to Friday, and nurses, continuously. Patients may need continuous physiotherapy treatment, so why not break down the demarcation, and allow nurses to undertake some types of physiotherapy treatments?

3. The motives for the change were reported to us by the current Director of Personnel who, with the Board, was responsible for introducing the scheme.

4. The views of the employers, government departments and health service employers, favouring local pay were summarised by the 1995 Nurses' Pay Review Body (§64 and §67). Local pay was seen as offering flexibility to concentrate organisational and team efforts where most needed to improve quality and quantity of patient care, and 'buying out' inefficient working practices. The National Association of Health Authorities and Trusts (NAHAT) and Trust Federation gave examples including harmonisation of terms and conditions (eg. basic hours across different groups), reducing absenteeism, and changing nursing practices to include some tasks done by junior doctors. Both organisations were looking for the opportunity, through local negotiations, to change

1995 Review body, only a handful of hospital trusts had made the move. The Royal College of Nurses listed 24 trusts with local pay schemes for nurses and midwives in mid-1996, out of a total of 488 trusts (RCN, 1996). Two main reasons underlie the slow growth of local pay schemes, and they are unrelated to the relative merits of local negotiations: managers had limited experience of, and were not ready for, local pay negotiations in many trusts; and the amount of money available for negotiation at local level was small. The 1995 Nurses' Pay Review Body had recommended a 1% national increase and indicated that up to a further 2% could be negotiated locally, and by the autumn, most trusts had agreed to pay nurses 2% locally (Financial Times 6.9.95). However, following the protracted negotiations of 1995, the Review Body recommended a 2% national increase for 1996 which inevitably squeezed the money available for local negotiations.

There is a further complication in the move to local pay and conditions that may discourage many trusts. The government provisions setting up trust hospitals enable management to move to trust contracts only for those staff who so agree, and for new recruits. This means that if current staff are to change contracts, they have generally to be better off on trust than on Whitley contracts. Thus, trusts contemplating the move face the prospect of a difficult transition period in which they may have large numbers of staff working under different sets of pay and conditions. This was indeed the case in the two trust hospitals in our study.

In moving to local pay, both trusts undertook a major restructuring of their pay systems, the most important elements being the elimination of length of service incremental pay scales and major job evaluation exercises⁵. The latter were an important step towards rationalising pay differences, and in particular, tackling pay anomalies. The former was the main impetus behind the introduction of performance related pay.

Service incremental pay scales have come into criticism on three main grounds in recent years: their automatic nature up to the scale maximum makes them unrelated to performance; many staff may be discontented when 'stuck' at the top of their pay scales; and the fixed size of the incremental steps makes the pay bill inflexible and insensitive to how well the organisation is doing financially. Elements of all three were present in the thinking behind both hospitals' schemes, but the emphasis in the individual performance scheme was very much on the first, whereas that on cost flexibility was quite important in the second.

If these were some of the important organisational objectives behind the two performance pay schemes, what can one say about the more detailed objectives communicated to staff within them?

The Individual Scheme Trust

In the trust with the individual scheme, the Trust Board's mission statement includes ensuring that all people employed by the Trust are:

- recognised as individuals
- challenged to excel
- suitably trained and rewarded

working practices through such methods as job redesign, skill-mix and grade-mix exercises. They were also interested in measures to reduce absenteeism, and to offer such benefits such as child-care facilities.

5. They used the Lloyd Masters system at the individual scheme trust, and Medequate, in the group scheme trust.

This philosophy is reflected in the foundations of the trust's performance management scheme (Individual Performance and Development Review, IPDR), and the associated performance pay. As explained to staff in the user's guide, IPDR aims to provide every member of staff with:

- a clear expectation of how they can contribute to the Trust goals
- an opportunity to identify their own development and training plan
- a chance to discuss their performance - in detail- with their immediate manager
- an opportunity to be rewarded for their performance

The management presentation to staff additionally stressed:

- an opportunity to understand where their objectives fit into those of the department and the Trust
- clear objectives, tasks and targets

Central objectives of the scheme, as communicated to staff, include therefore effective goal setting and motivational effects of performance pay. The emphasis in the basic principles is very much on individual performance, however, recognition of the importance of team working and cooperation with other staff enters indirectly through the 'contribution profile' established for each job in the hospital. These profiles are based on six dimensions on which job demands are measured, and include⁶:

- occupational skills
- client care
- decision-making and problem solving
- interpersonal skills
- leadership skills
- planning and administration

Client care and interpersonal skills stress the degree to which the job requires close cooperation with others, patients or staff.

The IPDR system and its goals apply to all staff in the Trust, whether on Trust or Whitley contracts. The only difference is that the former are eligible for the performance pay element whereas the latter are not.

Group-scheme Trust

The objectives of the trust-wide scheme expressed to us by management were four:

6. In summary, these are defined on the following lines. Occupational skills: the clinical, professional, technical or other specialist skills and knowledge required by the job; Client care: the level and nature of contribution to client care required by the job irrespective of whether the 'client' is a patient or another member of staff or department within the Trust; Decision making: the extent to which the job holder is required to contribute by solving problems and making decisions - including clinical, managerial, technical and operational decisions; Interpersonal skills: the level or standard of communication, persuading and influencing skills required in relation to patients and other members of staff; Leadership skills: the extent to which the job requires its holder to lead, direct or guide others; Planning and administration: the extent to which the job requires its holder to plan and allocate resources and to manage time -their own and others- effectively.

- to give greater flexibility in managing pay costs (which represent 70% of revenue)
- to assist in creating a corporate culture and in the alignment of individual goals with those of the organisation
- to encourage and reinforce team working
- to give some scope for identification of poor performance

Other considerations stressed in the design of performance pay scheme included:

- simplicity of operation
- the scheme should cost no more than existing service-related pay increments
- everyone should benefit, including those at the top of their scale
- for performance pay to be meaningful, the sum available needs to be sufficiently large

The main difference between the objectives of the two schemes lies in the emphasis, in the first, on motivation for individual performance and motivation for team working and, in the second, on developing a corporate as opposed to a professional culture. The second scheme's emphasis on cost variability is closely related to its team emphasis. The trust is a non-profit organisation, as are all NHS trusts, so cost variability is one way of sharing adversity among all staff.

In both trusts, performance pay has replaced annual, length of service based, salary increments. In the individual scheme, they are replaced by appraisal-related individual awards, and in the trust scheme, by the trust-wide bonus. Performance pay is consolidated into base salary completely under the individual scheme, and half is consolidated in the trust-wide scheme. Thus, in both trusts, performance pay has come to replace the incremental pay scales that were so strong a feature of the old Whitley salary structures. In the individual scheme fixed pay ranges with predetermined minima and maxima have also gone, opening the way for potentially unlimited pay advancement for excellent performers. In the trust-wide scheme, half of the bonus is consolidated into base salary, and half paid as a lump sum. Once staff reach their scale maximum, they receive only the lump sum element. The main features of the schemes are summarised in Table 5.5.

Table 5.5
Summary of the two schemes

	Individual	Trust-wide
Type of payment	Appraisal-based individual awards	Trust-wide performance bonus
Length of service increments	No	No
'Cost of living' element	No	Yes
Pay scale maxima and minima	No	Yes
PRP consolidated into base salary	Yes, but not the 2% & 4% additional bonus	50%
Targets	Individual targets linked to Trust	Trust financial & contract performance
Appraisal Appeals	Integrated into PRP 'Grandparent manager'	Separate from PB Grievance procedure
Determination of performance pay increase	PRP negotiated with staff side, line managers award	Bonus determined by Trust Board
Scheme introduced by negotiation?	No	No
Management's goals	<ul style="list-style-type: none"> • Increase awareness of trust goals • Reinforce appraisal system • Deal with poor performance • Team working 	<ul style="list-style-type: none"> • Increase awareness of trust goals • More variable costs • Deal with poor performance • Team working

5.3.3 Performance pay incentives under the two schemes

The size of performance pay increases in any one year in both hospitals is relatively modest, as is the differential effect among staff (Table 5.6). However, their cumulative effects over time are more important, owing to the replacement of length of service increments.

Under the individual performance scheme, management used a target distribution of performance ratings with a view to controlling the pay bill and preventing, an upward drift in ratings, and informing staff on how many were likely to gain different ratings. 60% of employees should be classified as 'good', 20% as 'superior' or 'excellent', and 20% as 'acceptable' or 'poor'. The targets are not intended to be rigidly applied, but if a department's ratings are much out of line with the expected outcomes, its managers have to justify them. In the trust-wide scheme, in June 1996, of eligible staff, 81% received the full bonus, 4%, half bonus, and none had it withheld. The remaining 15% did not qualify mostly because they had joined too recently.

The incentive effect has to be compared with the general increase for staff on Whitley contracts of 3% in 1995 and 3.25% in 1996. To these increases one would have to add the normal service increments on Whitley scales, which for Grades A to F nurses represent on average just over 3%, except that many staff are at the top of their scales⁷.

7. This calculation is based on the nurses aged 18 or over in Grades A to F, taking the average increment as a percentage of the mid-point of the range for 1995.

Table 5.6
Performance pay increases in the two trusts

Individual Scheme

April 1996	Increase %	Bonus %*
Excellent	5.25	4.0
Superior	5.25	2.0
Good	5.25	-
Average	3.25	-
Poor	-	-

* non-consolidated

Trust-wide bonus

July 1995		Bonus % *	Cost of living %
Satisfactory to v. good	Full bonus	6.4	3.0
Unsatisfactory: can improve	Half bonus	3.2	3.0
Unsatisfactory: no improvement → dismissal	No bonus	0	

* half as lump sum, half as salary advancement.
 Whitley national increases: 1995, 3%; 1996, 3.25%

The method for determining the size of performance pay increases differs between the two organisations. In the individual scheme trust, the size of performance pay awards for each performance level is negotiated with staff unions and professional associations on the assumption of a certain target distribution of appraisal ratings.

In the trust-wide scheme, the size of the bonus is determined in two stages. Management decide the maximum percentage bonus payable for the year based on savings on salary increments and other automatic payments, and from improved efficiency. Initially, the maximum was set at 6%, to be increased gradually over the years, at no extra cost, to 10% as the proportion of salary paid automatically is reduced, and that related to performance, increased. It was raised to 8% from July 1995. In the second stage, the Non-Executive Directors decide how far the trust has achieved its targets on the basis for results for the financial year completed on March 31. These include:

- financial targets (balanced income and expenditure, meeting external finance limit, and 6% return on capital)
- workload targets in contracts with purchasers
- quality targets required by the Trust, the Department of Health and Purchasers
- developments in the Trust Business Plan

In the first two years of operation, the Non-Executive Directors judged the trust to have fulfilled 80% of its targets, hence the bonus of 6.4% for 1995 (80% of 8%). The bonus becomes payable from July 1.

5.3.4 The appraisal systems in the two trusts

Individual and trust-wide performance pay schemes make different demands of staff appraisal systems. Individual appraisal-related pay is demanding of management and staff time. Because people's pay depends upon the outcome, appraisals have to be seen to be conducted fairly, so that

staff feel they are a fair and honest reflection of their performance. If individuals are to be differentially rated, which is the logic of an individual performance pay scheme, then management has to obtain reliable information on differential performance. It might be objected that ranking employees by their performance, as in some 'tournament' performance pay systems for managers, would avoid the need for detailed information, but this is not feasible for the great majority of health service staff. They have only limited scope for outstanding performance and they are very dependent on the work of fellow colleagues.

In contrast, hospital-wide schemes do not need such elaborate staff appraisal systems for their operation. The emphasis is on overall performance of the trust, and it is against the spirit of encouraging group performance to seek to differentiate the contributions of individual members very finely. It may still be necessary to discourage potential free-riders as peer group pressures may not always be adequate. Many staff may feel it is management's job to deal with those who 'abuse the system'. Thus, appraisal for the purposes of the trust-wide bonus needs only to identify poor performance and to seek to rectify it, by help, or if necessary, by sanctions. The trust has issued a protocol detailing the kinds of reasons for which bonus might be withheld. For withholding half bonus, these include persistent short-term absence, persistent lateness or poor time keeping and persistent errors, omissions, or mistakes. The full bonus could be withheld if such behaviour were not rectified in the following year, or if performance had so deteriorated that a final written warning had been issued.⁸ The emphasis then is very much on objective, documented criteria, such as might withstand scrutiny in the hospital's grievance procedure.

In fact, both trust hospitals possessed sophisticated staff appraisal systems, but the underlying philosophy was different. In the individual scheme trust, managers were of the view that some form of PRP was necessary to drive the appraisal process: to make line managers and staff take it seriously, and to complete the target setting and appraisal interviews by the appropriate dates, for example. In the group-PRP trust, management was rather of the view that performance pay would contaminate appraisal, so the bonus was set up with a special minimal appraisal system designed to identify poor performance, and kept separate from its main performance management system.

Performance management in the individual scheme trust places a strong emphasis on staff agreeing their objectives with their line managers for the coming year. Managers are instructed to look at key areas of the job and identify the key tasks, agree individual objectives with the member of staff, ensure objectives are designed to encourage improvement, and agree on conditions for the performance review, notably, timing and how achievement will be measured. The management document does however recognise that in some cases it may be appropriate to focus on the contribution profile because it may be difficult to define specific objectives in a number of jobs. Thus although the appraisal system is based primarily on agreed objectives, in a number of cases it may function more like a criteria based system.

Both schemes include appeals procedures. In the individual scheme, appeals can be made to a 'grandparent' manager. In the trust-wide scheme, appeals are handled through the normal grievance procedure.

5.4 The Survey of Staff Views on their Performance Pay Schemes

8. RCN Competence Pay Workshop 4.9.96 Resource Pack, p. 26.

Our survey, like those of civil servants and of school head teachers, is designed to measure staff views concerning the effect of their own performance pay scheme on different aspects of their motivation to work, such as their willingness to work hard, to cooperate with colleagues and with management, and on their views concerning the effects on other aspects of their work environment likely to affect performance. We did not have any measures of organisational performance enabling us to test the effects of performance on wider outcomes, but our sample did include a number of managers who experienced the effects of performance pay on both their own performance and on that of their staff. We included a special section in our questionnaire for such people. We also ask a number of questions about people's general views on pay and incentives and on their orientations to work in the NHS.

Our questionnaire, the full version of which is included in Appendix 2, was elaborated in discussion with senior management and staff side representatives, and in both trusts, was piloted on a group of staff from a range of different occupations in both hospitals. We also gave 'feedback' presentations to management and staff representatives in both hospitals which proved to be a valuable check on our interpretations and a source of additional insight. The questionnaire was sent out at the end of August 1996 with payslips and an accompanying letter from management and staff representatives, and staff were invited to return completed questionnaires to the researchers care of the hospital via the internal post. Staff were not given time off work to complete the questionnaire, and no follow-up mailings could be sent out because returns were confidential. However, at the individual scheme trust staff were given additional encouragement to return the questionnaires by posters, and by a 'thank you' note sent out after the closing date pointing out that late replies would still be analysed.

Questionnaires were sent to all staff working in the two trust hospitals except doctors. For the individual scheme trust, 693 questionnaires were received back giving a 30% response rate, and for the group scheme trust, 914 usable replies were received, giving a response rate of 22%. Management thought the response may have been depressed by the holiday period, and by an element of survey fatigue, especially as the questionnaire was quite long. We checked response by staff group, gender and age, and also by whether staff were on trust or Whitley contracts, and by appraisal rating. The survey obtained a good response across all these characteristics, although there was some variation in response by staff group. Details are shown in the methodological appendix. Because of the variation in response by staff group, the replies to all except the questions on personal characteristics have been weighted by staff group in order to give a more representative picture of the whole.

To analyse the replies to our questionnaires, we adopt the broad framework of expectancy theory as outlined in the introductory chapter. In presenting our results, we start by looking at staff orientations to their work in the NHS and their views of performance pay in principle. Then we consider its effects on staff awareness of trust targets and on goal setting before turning to the issue of cost flexibility in response to how well the trust performs. We then look at the issue of how well the schemes are felt to deal with poor performance, and at their effects on team working and motivation. We conclude by evaluating the overall impact of the two types of scheme.

Whitley or Trust Contracts

The way the two schemes were introduced means that both hospitals have large numbers of staff of different terms and conditions, with performance pay covering only part of the total work force. This division raises a number of difficult problems. First of all, it highlights the practical personnel management problems faced in both hospitals of having to administer two sets of terms and conditions simultaneously. It seems very likely, on these responses, that the interaction between the

two sets of conditions would cause friction. Legally, the trusts had little alternative to this if they opted for local pay, but even without that, it is not clear that they could have imposed new conditions on large numbers of staff against their will.

Secondly, it complicates the interpretation of the schemes' impact: should one consider the effects on staff as a whole, or should one concentrate on those on Trust contracts as they are the beneficiaries of performance pay?

The argument for doing the first is that management has to be concerned about the performance of all staff in the hospital as the organisation's performance depends on everyone. The existence of two sets of conditions may be a medium-term transitional problem, but one has to consider the alternatives. Imposing new conditions against employees' will would be fraught with legal difficulties, and would most likely also cause a very costly conflict with staff. Acting in this way might alienate even those initially favourable to trust conditions. Alternatively, management could seek to make trust conditions so attractive financially that everyone would opt for them, but then, clearly, the pay cost would be excessive. Therefore, in practical terms, the two trusts had little alternative but to run two systems conjointly, so one should consider the effects on staff as a whole.

However, because the problem is essentially a transitional one, there is also value in looking at how those on Trust contracts have responded. This could be a guide as to the likely long-term effects of the two schemes.

One important caveat is needed. Before one can be sure that the responses of trust contract staff represent a possible long-run view, one needs to deal with the problem of 'self-selection'. New recruits and promoted staff have no choice between trust and Whitley contracts, but current employees at the time of the changeover did have a choice, so there is a theoretical possibility that those favouring performance pay chose trust contracts, and those strongly against it, Whitley contracts. While it is almost certain that some staff chose on these grounds, many other reasons also motivated the choice, and these were often unrelated to performance pay. One of the most important was whether the person would be financially better off or not, and here the important issues were the outcome of the job evaluation and of the reform of premia and allowances. In the view of the managers who had introduced the scheme, the latter issues were far more salient, and problematic for the introduction of the new pay systems, than personal views about performance pay. This is borne out by the replies in the section of our questionnaire which invited staff to comment on why they were working on trust or Whitley contracts: the most common reasons given were the loss of special allowances for working unsocial hours involved in moving from Whitley to trust contracts, and the fear that once everyone was on a trust contract the bonus would be reduced. Very few mentioned any opposition in principle as the reason.

Finally, the sample shows that a number of other factors are related to acceptance of the principle of performance pay, notably, staff group and length of service. In the first case, work measurement problems may be felt to be more tricky (e.g. among ward than among office staff), so it would be likely that the difficulties of working performance pay rather than straight opposition to the principle explains the views expressed. In the second, longer service employees are more likely to opt to remain on Whitley contracts because of their greater familiarity with them, and longer acceptance of the 'psychological contract' implied by them. These considerations might colour their acceptance of the scheme, but not necessarily their perceptions of its effects.

5.5 Staff Orientations to Work in the NHS

One of the very striking aspects of staff replies about why they joined the health service and what is important to them about their current jobs is the very strong attachment to the intrinsic value and interest of their work (Table 5.7). An interest in health care, the opportunity to help people, and the belief the NHS is an important public service weighed far more heavily in their reasons for joining than did job security, the organisation of work or pay. For simplicity, the tables in the main text show only the percentage agreeing. Our survey used a five-point 'Likert scale' ranging from 'strongly disagree' to 'strongly agree'. The full results are shown in the appendix.

It is of course well-known that replies to retrospective questions are not always an accurate reflection of what people actually thought at the time, and some respondents joined the NHS many years ago. However, such factors are unlikely to swamp either the very strong emphasis on the intrinsic qualities of the work done in the NHS, or the great similarity of replies between the two hospital trusts. Moreover, in our discussions with staff, it became clear that these considerations are not confined to nursing staff as even clerical staff have a good deal of contact with patients and their families, for example, in arranging appointments and directing people to the appropriate medical services.

Table 5.7
Reasons staff joined the NHS (% 'agreeing')

No.	Question	Individual	Trust-wide
2	Interested in health care	87.7	85.5
1	The opportunity to help people	87.4	85.4
7	NHS an important public service	84.4	88.7
4	Job security	60.5	64.6
8	Needed a job at the time	44.3	41.9
5	Chance to work part time	35.1	30.1
6	Chance to work shifts	23.6	23.4
3	Good pay opportunities	9.0	27.0

The strong emphasis on the value of intrinsic rewards is again reflected in what staff see as important in their current jobs (Table 5.8). The dominant factors are the nature of their work, interest in health care and relations with colleagues and management. There is some difference between the trusts in the value given to job security, level of income and other benefits which figure more strongly for staff in the trust-wide scheme hospital. Job security in particular may be more highly valued because of the slacker local labour market for that trust, and the region's greater experience of industrial decline.

Table 5.8
What staff value in their present jobs (% ‘agreeing’)

No.	Question	Individual	Trust-wide
15	Varied and interesting work	90.4	89.6
14	Opportunity for own initiative	89.4	89.3
11	Interest in health care	88.5	86.6
18	Team work & co-operation	86.2	84.0
17	Relationship with colleagues & manager(s)	86.2	82.6
9	Job Security	81.9	88.0
13	Opportunity to exercise responsibility	81.5	81.0
10	My level of income	77.6	84.1
16	Further training	73.3	71.4
12	Flexible working time	58.3	54.3
19	Staff Benefits (e.g. childcare provision)	26.7	37.8

5.6 Staff Views on the Principle of Performance Pay

Despite the strong emphasis on the intrinsic qualities of their work, a majority of staff in both trust hospitals approved of the principle of linking an element of pay to performance (Table 5.9). There was strong support for rewarding excellent performance, and less than a third thought performance pay fundamentally unfair. On the other hand, only a minority, albeit quite a large one, considered that pay should be based solely on performance. At the same time, there was a widespread belief that the concept of performance pay is difficult to apply in health care because the work is hard to measure (Q40).

Table 5.9
Staff views on the principle of Performance Pay (% ‘agree’)

No.	Question	Individual	Trust-wide
28	Excellent performance should be rewarded by additional bonuses in pay	80.7	70.6
32	The principle of relating pay to performance is a good one	62.0	52.0
33	The idea of performance pay is fundamentally unfair	27.5	30.5
27	Individuals should be paid solely on the basis of individual performance	40.6	26.5
40	PP problematic because NHS work hard to measure	75.7	73.0

The reason for opposition to paying solely for performance is immediately obvious in the support shown for a number of other key principles for pay (Table 5.10). That pay should reflect different duties in the same grade shows strong attachment to paying according to job demands. Pay for qualifications is strongly embedded in health service culture where professional groups play such an important part. Support for rewarding experience, pay for cost of living rises, and according to national scales all militate against giving a large role to performance pay. Finally, paying more for skills in short supply is a commonly used argument in review body evidence.

Table 5.10
Staff views on other criteria for pay (% 'agree')

No.	Question	Individual	Trust-wide
25	Different duties in same grade	85.6	76.5
26	Pay for additional qualifications	73.5	67.5
24	Experience should count more	67.2	74.0
31	Cost of living rises	58.0	70.8
30	Pay according to national pay scales	47.9	67.1
29	Pay more if skills in short supply	43.2	39.5

On the whole, the views expressed by staff in the two trusts are similar, except that those in the group-scheme trust are significantly cooler towards performance pay, more strongly opposed to paying solely on the basis of individual performance, and more strongly attached to paying for experience, cost of living rises, and much more strongly attached to national pay scales. Some of these differences, and particularly the latter, may be related to the slacker local labour market for the group-scheme trust. National pay scales even out differences in bargaining power arising from differences in local unemployment rates.

In view of the diversity of occupational groups employed at the two hospital trusts, it is interesting to see how attitudes to the principle of performance pay differ between them (Table 5.11). In both trusts there is a marked difference of enthusiasm between the managerial and white collar staff groups and the professional and nursing ones. The medical professional associations have taken a strong position nationally against performance pay, although it is not clear whether they are reflecting or forming their members' views in doing so. The nature of nursing work, with its heavy emphasis on cooperation among colleagues in patient care, may be a factor in their greater coolness towards performance pay, but that would explain better opposition to individual rather than group performance schemes.

Across most groups, support for the principle of performance pay is stronger in the individual scheme trust. The two exceptions are maintenance, where numbers are very small and so may just reflect statistical error, and ancillary grades. The Director of Personnel at the group scheme trust pointed out that this group had gained considerably from the general reorganisation of pay scales.

Table 5.11
Performance pay good in principle (Q32) by staff group (% agree)

Staff group	Individual	Trust-wide
Senior managers	95.9	83.7
Admin & clerical	74.8	67.6
Professional	65.6	41.1
Nursing	56.5	42.6
Maintenance	54.5	64.7
Ancillary	52.6	67.7
All groups	62.5	52.3

Finally, attitudes to performance pay differ strongly between those on Trust and those who have remained on Whitley contracts (Table 5.12). In both hospitals, staff on trust contracts were much more favourable to the principle, and less likely to believe it fundamentally unfair. They were also far more likely to report negative judgements of its effects in practice, and to be cynical about management's motives for the scheme. As argued earlier, we do not believe these differences can be explained by 'self selection', that is, those opposed to the principle performance pay chose to remain on Whitley contracts.

To facilitate comparison between the two hospitals given their different percentages of staff on trust and Whitley contracts, we calculated an adjusted figure for the group scheme trust. The final column shows what the overall figure would be for that hospital had the mix of staff on the two types of contract been the same as in the individual scheme hospital.

Table 5.12
Comparison of staff views by Trust and Whitley contracts (% 'agree')

No.	Question	Contract type	Individual	Trust wide	Trust wide adjusted
32	PP good principle	Trust	68.7	62.4	
		Whitley	44.3	38.6	
		All	62.2	52.0	57.1
33	PP unfair	Trust	22.9	21.3	
		Whitley	39.6	43.0	
		All	27.3	30.9	26.2
39	PP causes jealousies	Trust	58.7	41.2	
		Whitley	68.1	62.3	
		All	61.2	50.5	46.0
37	PP made staff more aware of Trust goals	Trust	50.1	48.6	
		Whitley	41.2	21.9	
		All	47.7	36.9	42.7
44	PP has undermined morale	Trust	47.3	35.3	
		Whitley	63.4	61.2	
		All	51.5	46.6	41.0
43	Managers use PP to reward Their favourites	Trust	36.9	19.0	
		Whitley	52.7	36.1	
		All	41.1	26.5	22.9
55	Current level of PP set in Order to induce switch to Trust contracts	Trust	47.1	64.2	
		Whitley	72.5	86.7	
		All	53.9	74.1	69.2
46	PP a device to cut paybill	Trust	33.7	34.4	
		Whitley	46.0	65.6	
		All	36.9	48.1	41.3
36	No PP if jobs being cut	Trust	35.8	50.0	
		Whitley	47.0	51.3	
		All	38.8	50.6	50.6
30	Pay on national scales	Trust	40.8	59.7	
		Whitley	66.2	77.7	
		All	47.7	66.3	63.7

5.7 Awareness of Trust Objectives

One of the goals of the performance pay schemes in both trust hospitals has been to raise staff awareness of their trust's objectives. Naturally, the mechanism by which this is achieved differs: by individual communication through the appraisal process in one case, and by linking the bonus to how well the trust achieves its objectives in the other. Taking all staff together, both on trust and Whitley

contracts, a much stronger percentage agree performance pay has raised awareness in the individual scheme trust.

Table 5.13
Awareness of trust objectives

No.	Question % 'agree'	Individual scheme	Trust-wide scheme
37	Raises awareness of Trust objectives	46.8	37.0
61	Made me more aware of Trust targets*	43.0	33.8
62	Already aware of Trust targets*	49.3	36.7
48	Scheme aims clearly communicated before implementation	37.4	20.0
41	Managers set work targets more clearly	53.1	30.5

* asked only of those on trust contracts.

Comparing the two schemes, people in the individual scheme were more likely to reply not only that staff awareness in general had increased (Q37), but also that their own personal awareness of trust objectives had been raised (Q61).

Thinking that staff would be less likely to report that PRP had raised their awareness if they were already aware of trust objectives, we enquired about this (Q62). We ask this question for two reasons: the different effects in raising awareness between the two types of scheme might be due to differences in the initial level of awareness; and from the point of view of PRP's effectiveness, it is presumably more valuable to the organisation if it boosts awareness among those previously not aware of its objectives. There is little point in preaching to the converted.

In fact, differences in initial awareness do not explain the different effects of PRP between the two trusts. It is lowest in the trust in which least staff reported it raising their awareness. In addition, the schemes' ability to raise awareness among the unaware appears to be least for the group-based one. Focusing on those initially unaware, in the individual scheme, 40% reported increased awareness against 32% reporting no increase. In the group scheme, only 24% reported an increase, against 69% reporting no effect. So clearly, the individual scheme was more effective in raising awareness of trust objectives among those not previously aware.

The most important reason appears to be that management communication was more effective under the individual scheme. The aims were judged more clearly communicated before implementation (Q48), and managers were believed to set targets more clearly (Q41).

Turning to the effects by staff group, the stronger impact of the individual scheme on staff awareness of trust objectives is also visible within most staff groups (Table 5.14), where the analysis is confined to those on trust contracts). Ancillary staff are the notable exception. In the latter case, the personnel director of the group-scheme trust explained that they had benefited considerably from the job evaluation exercise associated with the switch to performance pay.

The impact of the schemes on staff awareness also differed between staff groups. Those with a strong external, professional, orientation were less convinced that either scheme had raised general awareness of trust objectives than were the other groups. The difference between the professional and the other groups was less sharp over the effect on their own personal awareness, and in the individual scheme trust, nurses were close to the average.

The clear implication, overall, is that the direct communication of objectives through the appraisal process is more effective than the somewhat diffuse link between the size of the bonus and achieving objectives. The effect is particularly noticeable among nurses in the individual scheme trust

where the quite large difference between nurses and the non-professional groups on awareness in general disappears when we turn to the effects on their own personal awareness of trust objectives.

Table 5.14
Effects of PRP on staff awareness of trust objectives (% 'agree')

Staff on TRUST contracts only	PP has made STAFF more aware (Q37)		PP has made ME more aware (Q61)	
	Individual	Group	Individual	Group
Senior Management	72.7	66.7	43.1	38.1
Professional & technical	44.5	31.6	33.8	28.0
Nursing	47.1	40.5	44.0	29.0
Admin & clerical	54.6	52.2	48.2	38.4
Ancillary	54.2	64.7	45.9	50.0
All staff	49.9	48.3	43.3	36.1
N	470	465	458	449

*Works and maintenance staff not shown because of very small sample numbers.

There is however another side to the story: how people feel towards the organisation they work in. Here, the trust-wide scheme scores more favourably with staff. There they are much more likely to respond that the bonus has made them feel part of a successful organisation (Q65), and that it has made them feel more positive about working for the trust (Q64) (see Table 5.15).

Table 5.15
Feeling part of a successful organisation

No.	Question % 'agree'	Individual scheme	Trust-wide scheme
65	PP made me feel part of a successful organisation*	27.7	44.1
64	PP made me feel more positive about working for the Trust*	29.9	38.6
63	PP made me identify with Trust goals*	34.0	29.0

* asked only of those on trust contracts.

Finally, increasing awareness of trust goals, and feeling part of a successful organisation stop short of inducing staff to identify with trust goals. Neither scheme was very successful on this score (Q63).

5.8 Cost Flexibility

One of the major employer criticisms of the service-based incremental pay scales of the old Whitley system was the general inertia this gave to staff costs which represent about 70% of the total costs of the trusts. The individual performance pay scheme introduces an element of local flexibility by making the size of performance related increases negotiable each year. Likewise, the trust-wide bonus introduces an element of cost flexibility depending on what the trust thinks it can afford to set aside annually for the bonus, and on how far its objectives are achieved in any year.

Although both schemes allow for a degree of cost flexibility through their performance pay schemes, it is arguably more transparent under the group scheme. Under the individual scheme, cost flexibility can come about by negotiation of smaller performance pay increases (and a smaller bonus when that is paid) for each appraisal grade. However, this has the effect of reducing the reward that staff gain for their individual performance during the year and can be seen as an attempt by management to claw back what has been given during the year in terms of performance. In other words, there is a conflict between the logic of rewarding staff for their personal efforts during the year, which is what they see as themselves as contributing to their organisation, and linking this to the overall success of the organisation which is of course influenced by many other factors. In contrast, the trust-wide bonus is unambiguously linked to trust performance, and there is no direct link with individual performance.

In both trusts, there was general acceptance of the idea that staff should share in the success of their organisation, and also that troubles should be shared in times of adversity. Better to restrict pay increases than to have job cuts. Where the two trusts diverge strongly is over the continuation of performance increments when jobs are having to be cut. In the group-scheme trust, 50% of staff thought avoiding job cuts more important than performance increments.

Table 5.16
Staff views on cost flexibility and performance pay (% 'agree')

No.	Question	Individual scheme	Trust-wide scheme
34	It is appropriate for staff to be financially rewarded when the Trust does well in achieving its goals	84.4	80.4
35	If Trust in financial difficulty, reasonable to restrict pay increases if alternative were job losses	61.1	59.1
36	Staff should not receive performance increments when jobs are having to be cut	38.9	50.0
46	The Trust's scheme is simply a device to cut the pay bill	37.0	48.3
55	Current level of PP to attract staff onto Trust contracts	54.0	73.8

In view of the group-performance group-adversity emphasis of the trust-wide scheme, it is interesting to look further at the 'pay or jobs' question (Q36) (Table 5.17). In all staff groups, for those on trust contracts, jobs weigh more heavily for the group-scheme trust, although the differences are smallest for the least qualified groups.

Table 5.17
'Pay or jobs': views by staff group

Staff on TRUST contracts only (% 'agree') (Q36)	Individual scheme trust	Group scheme trust
Senior Management	20.4	47.6
Professional & technical	23.5	38.6
Nursing	33.0	42.0
Admin & clerical	42.2	48.3
Ancillary	64.0	69.3
All staff	35.9	49.5
N	468	466

With observations for one point in time only, we cannot say definitely whether these results are caused by the differences between the two schemes, or whether senior management in the less buoyant of the two local labour markets were in tune with staff views when choosing their scheme. However, two sets of factors suggest these differences may be related to the type of scheme adopted.

If the slacker local labour market of the group scheme trust had caused the greater stress on jobs over pay, then one would expect to see staff in the group scheme trust also placing a correspondingly higher value on job security, both as a valued feature in their current jobs and as a reason for joining the NHS (Table 5.7, Q4; and Table 5.8, Q9). In fact, in both trusts, job security is highly valued, and the difference between the two is rather small, around five percentage points, only one third the size of the difference on the 'pay or jobs' question. Moreover, when we look at the results by staff grade, the difference between the trusts on 'pay or jobs' is greatest among the staff groups with the most transferable skills and so the least to gain from job security: the professional and senior management groups. It would seem therefore that the greater acceptance of a trade-off between performance pay increases and jobs when times are bad is favoured by the scheme itself rather than the state of the local labour market.

There is however, a degree of ambiguity in the replies by the staff at the group-scheme trust. The variability of the bonus seems to be accepted as a means of sharing adversity and preserving jobs, yet there also appears to be a degree of suspicion over management's true intentions. Staff there were more likely overall to believe performance pay was simply a device to cut the paybill, and that its current levels were designed to induce staff to switch to Whitley contracts. Much of the reason for this lies in the feelings of those still on Whitley contracts (Table 5.12), and here the consolidation of bonuses into base pay for those on trust contracts seems to be the problem.

So the trust-wide scheme appears to have enjoyed greater success in fostering acceptance for sharing adversity through a variable bonus, and hence for a degree of cost variability, than has the individual scheme.

5.9 Evaluating and Dealing with Poor Performance

One of the goals of performance pay schemes is to help control poor performance. Under individual schemes, if the great majority of staff expect some performance reward, it may prove demotivating if they see the same rewards going to those who are not pulling their weight. Thus, sanctioning poor performance may be as important for motivation as rewarding exceptionally good performance. Indeed, in a recent survey of police officers' views of their appraisal scheme, one of the most damaging aspects seemed to be the perception that management could not be trusted to appraise fairly and honestly because it did not sanction known cases of poor performance (Sheehy, 1993, evidence). In group schemes, dealing with poor performance can also be extremely important for maintaining motivation. Such schemes are especially vulnerable to 'free-rider' behaviour if individuals know that they can share in the rewards without contributing their share of effort. As critical as the number of actual free-riders is staff perception. If it is believed to be widespread, then their own motivation for working hard is likely to decline. Therefore, a critical problem for the success of both individual and group performance schemes is their ability to deal with poor performance, and to be seen to do so effectively.

Judging by staff replies, the individual scheme is seen as more successful in dealing with poor performance, which is perhaps not surprising given the close link between individual appraisal and individual pay. Under the group scheme, management decided to penalise only poor performers, but

there remains a problem as to how they should be identified without recourse to the results of an individual appraisal scheme, which, it will be remembered, was kept separate. The most readily available indicators that can be used are relatively objective ones, such as persistent absence or disciplinary offences. These may well capture the most obvious cases of poor performance, but there can be an element of ‘double punishment’ if the person has already been sanctioned for the absence, and things are not always clear cut. Absenteeism may be a gripe among staff with a good attendance record, but how should one treat cases where repeated absence is due to family problems or ill-health of family members? The rule clearly needs to be applied with discretion, but at that point it loses its objectivity. The grievance procedure provides a path to procedural justice, but as it is an all-purpose procedure, it is probably not equipped to deal with finely balanced cases. This is likely to make management rather cautious in its use of the ‘unsatisfactory’ ratings. This may be to the advantage of individual employees whose performance falls short of the mark, but it also means that staff will see many of the less obvious poor performers receiving the same rewards as themselves. One union representative commented that linking poor performance to absence made the performance bonus function rather like an attendance bonus.

Table 5.18
Dealing with poor performance (% agree)

No.	Question	Individual scheme	Trust-wide scheme
51	Trust’s scheme a good way to identify poor performance	53.1	23.0
74	My managers can be trusted to identify poor performance	42.8	30.5
75	Managers know enough about the jobs of their staff to identify poor performance	44.6	36.9
52	The Trust’s scheme makes managers more willing to deal with poor performance	38.4	31.3

These problems are reflected in the replies shown in (Table 5.18). Under the group scheme, staff were much less confident that management could identify poor performance, or that they knew enough about the jobs of their staff to do so. The gap narrows when it comes to managers’ willingness to deal with poor performance: not an easy job under any scheme.

5.10 Team Working

As suggested earlier, the theory of incentives would predict that team working and cooperation would be more strongly encouraged by the trust-wide than the individual scheme (Table 5.19). In fact, neither scheme is thought by the staff to do much to encourage team working (Q49). Staff on trust contracts in both hospitals were about twice as likely as those on Whitley to respond positively, but even among these, only one in five agreed their scheme encouraged team working.

There is a school of thought among personnel specialists that argues that pay systems are too blunt to help motivate staff to do specific things. The idea is that management have to adopt other, non-pay, policies to encourage their staff to achieve certain goals, and the important thing is to avoid ruining motivation with inappropriate pay incentives. One might therefore ask whether one scheme is seen as posing less of an obstacle to team working and cooperation than the other. Here a clear gap emerges between the two types of scheme.

The trust-wide scheme is seen by fewer staff as causing jealousies among staff (Q39), undermining staff morale (Q44), and making staff less willing to help colleagues in difficulty (Q38). The gap becomes quite large if we take the adjusted figures for the trust-wide scheme which treat that hospital as though it had the same mix of staff on trust and Whitley contracts as the individual one. A gap of between ten and fifteen points emerges between the two trusts. Likewise, the impact on staff's personal willingness to cooperate with management is also less affected under the trust-wide scheme (Q50).

Apart from potential jealousies arising between staff who get different performance ratings, they may also fear that individual line managers may use the scheme to reward favourites. Again, the trust-wide scheme appears to be far less vulnerable to such fears among staff than the individual scheme (Q43).

Table 5.19
Team working under the two schemes (% agree)

No.	Question	Individual scheme	Trust-wide scheme	Trust-wide scheme, adjusted figures
The Trust's scheme:				
49	Encourages team working	18.4	16.4	18.6
39	Causes jealousies between staff	61.3	50.9	46.0
44	Helped undermine staff morale	51.6	47.2	41.0
38	Makes staff less willing to assist colleagues with work difficulties	25.6	18.9	15.1
50	Reduced my willingness to co-operate with management	18.9	14.1	11.4
43	Managers use the scheme to reward their favourites	41.3	26.9	22.9

Finally, we asked whether staff wished to be rewarded on a group basis (Q53). About one third of staff under the individual scheme agreed, whereas about two-thirds of those under the trust-wide scheme thought it did not properly reward groups or departments that performed better than the rest.

The general conclusion then on team working and cooperation is that the trust-wide scheme, as might have been expected, gains a more positive response, particularly in avoiding some of the jealousies and fears of favouritism associated with the individual scheme. On the other hand, it is clear from the replies that even group performance schemes will not generate team working 'by remote control'.

5.11 General Motivation

Motivation had not been one of the central goals of the trust-wide bonus, as the Personnel Director explained to us, so it might seem inappropriate to evaluate it on such grounds. However, the question itself is of considerable interest, particularly in view of the opportunity for comparison with the individual performance scheme.

In order for performance pay to motivate, staff need to believe they can vary their effort and performance, that the expected rewards will flow if they succeed, and they must think the reward worth striving for. In both trusts, most staff knew what they had to do to get a good rating and believed they were capable of so doing (Table 5.20, Q86, Q87), and only a minority believed their jobs gave them little scope for performing well (Q90). In the individual-scheme trust most staff understood the reason for their latest performance rating, whereas only around a third did so in the group-scheme trust. Likewise, there was a big gap between the percentages of staff believing their

most recent appraisal to be a fair reflection of their performance (Q85). The immediate reason for this lies in the much smaller percentage of staff in the group scheme trust who had had a formal performance review (36% compared with 92%), and hence a very large percentage of ‘no views’. If we take instead the ratio of ‘agrees’ to ‘disagrees’, then the two trusts are much more alike: 1:2 for the group scheme compared with 1:1.7 for the individual scheme.

Finally, to return to the question of staff perceptions of management’s behaviour evoked in the previous section, it is notable that staff under the individual scheme are more likely to report they expected to be denied ratings they deserved (Q89). We could not ask about quotas under the group scheme because the question would not have made sense, but under the individual one, it is notable that a majority believed that staff are frequently denied the ratings they deserve because there is a quota system.

Table 5.20
Staff views of their performance targets and ratings (% agree)

No.	Question	Individual scheme	Trust-wide scheme
86	I know what I have to do to get a good rating in the future	54.9	*64.4
87	I am personally capable of doing what is necessary to get a good rating in the future	84.5	84.1
90	The nature of my present job makes it very hard for me to get a good rating	35.4	29.6
84	I understand why I was awarded my most recent performance rating	65.9	31.5
85	My most recent performance rating was a fair reflection of my performance	55.3	38.5
88	The personal satisfaction I derive from my work is sufficient incentive for me to do what is needed to get a good rating	74.9	61.1
89	Even if my performance is good enough to merit a good rating, I doubt that I will be given one	46.3	36.1
91	Staff are frequently denied the performance rating they deserve because there is a quota system of performance ratings	56.5	na

* I am clear about my current objectives and targets

The much smaller percentage of staff that had undergone their performance reviews at the group scheme trust compared with the individual scheme trust may be thought to vindicate the views of the latter’s managers that performance pay was needed to drive the appraisal system. Without the pay element, busy line managers and busy staff are tempted to put off what for many is an awkward process, especially if the outcome might be criticism. The date for the performance pay increase imposes a deadline for completion of the appraisal process. Generally, this discipline appears to have worked. Many more staff at the individual trust replied that they had had sufficient opportunity during the year to discuss their performance with their line managers. A much greater percentage replied positively in the individual-scheme trust than in the group-scheme one (Table 5.21).

Table 5.21
Opportunity to discuss performance with line managers (% agree)

No.	Question	Individual scheme	Trust-wide scheme
	Sufficient opportunity to discuss with My manager the following:		
77	Clarify job role	61.8	46.3
78	Identify objectives	65.6	43.5
79	Training requirements	59.6	41.2
80	Performance	58.6	41.9

Turning to the motivational questions, one cannot ask sensible questions about motivation in general. It is better to focus on particular aspects of work behaviour and to ask whether performance pay has given staff a greater incentive to undertake them. On the whole, the effects of performance pay under both schemes are judged to be modest in relation to the kinds of activity shown in Table 5.22, and the ‘disagrees’ far outnumber the ‘agrees’. Probably many staff were already sensitive to the needs of patients and their colleagues given the nature of their work (Q68, Q69). More interesting are the replies concerning work priorities and to work beyond the requirements of one’s job (Q70, Q66), and to show more initiative (Q71). It seems that the discussions with line managers over performance and target setting has had a beneficial effect. The stronger link between these discussions and pay may explain the stronger effect under the individual scheme.

Table 5.22
Impact of performance on work behaviour (% agree, staff on trust contracts only)

No.	Question	Individual scheme	Trust-wide scheme
	PP has given me an incentive to be more:		
68	Sensitive to the needs of patients	11.5	9.3
69	Sensitive to my colleagues	16.1	12.9
72	Effective in my dealings with other colleagues	18.6	11.9
70	Get my work priorities right	30.5	18.5
66	To work beyond the requirements of the job	32.0	22.2
71	Show more initiative in my job	37.6	19.0

5.12 Line Manager Views on the Effects of Performance Pay

In the absence of objective data on organisational performance, line manager views about the effects of the schemes on their staff’s performance provide an external check on the reports by individual employees, and an assessment of the first step beyond staff’s subjective views about motivation towards organisational performance (Table 5.23).

Table 5.23
Line manager views on the effects of performance pay (% agree)

No.	Question	Individual scheme	Trust-wide scheme
	Performance pay has:		
112	Made staff more aware of the goals of the Trust	45.7	33.5
117	Led to an increase in the quantity of work many of the staff do	51.8	34.1
113	Caused many of the staff to work beyond the requirements of their job	48.8	20.5
116	Helped to increase the quality of the work of many of the staff	38.9	22.0
115	Led to many of the staff giving sustained high performance at work	30.0	18.9
118	Made many of the staff more committed to their work	23.4	13.0
114	Reduced the willingness of many of the staff to co-operate with management	30.2	27.0
119	It has made it easier for me to deal with poor performance	41.2	23.1
121	Performance Pay is a bad idea because not enough staff have sufficient control over their work to change their ways	41.3	43.7
122	PP has caused jealousies between staff on Trust and Whitley contracts	54.5	na

Four main conclusions emerge from the responses. First, in both trusts many managers believed that their schemes had made staff more aware of trust goals (Q112) although they were nevertheless a minority in the group scheme hospital.

Secondly, under both schemes, more line managers believe both schemes to have increased the quantity than the quality of work. This does raise a general question about performance pay, whether it has an inherent bias, at least in terms of the way people respond, towards quantity rather than quality. This can be seen in the wording of the appraisal ratings, of exceeding or falling short of targets. It is often easier to think of these in terms of doing more or less work rather than in terms of greater or lesser quality, especially in view of the greater difficulties of measuring quality.

Thirdly, the majority of line managers in both trusts believe that performance pay has not reduced staff willingness to cooperate with management, but there remains a sizeable minority that believes it has harmed cooperation.

Fourthly, comparing reactions to the two schemes, it is clear that line managers working with the individual scheme believe it to have had a stronger effect on work quantity and quality, working beyond job requirements and commitment than those with the trust-wide scheme. The former also believed their scheme more effective helping to deal with poor performance. An important caveat also emerges in the large numbers of managers in both trusts who identify the lack

5.13 Conclusions

A striking result of our survey has been that the staff of both trust hospitals appear highly motivated in their work, find it intrinsically interesting and worthwhile and are attached to the idea of public service, views which cut across all staff groups. In both trusts, performance pay has been an important part of the move to local pay and conditions, and to reorientate staff goals towards the objectives of the trust rather than the health service as a whole. Although neither scheme can be said to have worked miracles, and the prevailing views of staff are mostly somewhat sceptical, the comparison between the individual and group schemes shows that each scheme does some things better than the other, and these correspond broadly with the theoretical expectations set out in the introduction.

First, the individual scheme has a number of advantages over the group one. It scores more highly on raising staff awareness of trust objectives, dealing with poor performance, and fares better on overall staff motivation, although as stressed earlier, for both schemes, most staff claim there was no effect on their motivation.

Secondly, the trust-wide bonus has a number of advantages over the individual scheme. It makes more staff feel they are part of a successful organisation, it fares better on encouraging team working and cooperation. Most important, it is much less likely to lead to jealousies, damage morale, and it seems to inspire less suspicion of management in the minds of the staff. It is also associated with a greater willingness to entertain variability in the bonus in order to save jobs, and so could be argued to be more effective at promoting a group spirit among the workforce.

In pursuing the group scheme, however, management pays a price in foregoing the opportunity to use performance pay to drive the appraisal system. Generally, the individual scheme appears to have been very successful in getting managers and staff to undertake appraisals, and it is no doubt by its capacity to promote such discussions between line managers and their staff that the individual scheme scored more highly on generating staff awareness of trust objectives. The cost has been one of a certain contamination of the appraisal process, visible in the numbers of staff who thought that good performance might not receive the appraisal rating it deserved, and that management operated a quota on good appraisals irrespective of actual performance.

Chapter 6

Performance Pay for School Head Teachers

6.1 Introduction

Although performance related pay has been widely used in the private sector in Britain and the United States for many years, it has only recently been extended greatly in the public services. In the United States, the first major use of performance pay for federal civil servants dates back to the early 1980s, and in the UK, to the late 1980s. In both Britain and the US, the push for teacher performance pay has come primarily from central government rather than from education managers.

In Britain, or more specifically, England and Wales¹, the initial impetus for performance pay for teachers has come from central government. In its White Paper 'Choice and Diversity' and in its 'Parents' Charter', the then Conservative government stressed the need for an effective and accountable education service, and stated its belief that this could best be achieved by, among other things, the introduction of performance related pay for teachers. Set up in 1992 after the abolition of the previous pay bargaining system, the first pay review body was given the remit by the Secretary of State to develop proposals for linking teachers' pay more closely to performance (STRB, 1992). In the United States, performance pay for teachers was one of the recommendations of President Reagan's task force on education, 'A Nation at Risk' (National Commission on Excellence in Education, 1983), a call taken up by the President himself. Before then it had been practised on a piecemeal basis, affecting only about 4% of the nation's schools in the late 1970s (Ballou and Podgursky, 1993).

In contrast, managers and the professional associations within the educational sector in both countries have generally been less convinced of its merits. In the Wyatt (1989) survey of organisations across the US economy, personnel managers in education were those most likely to reply that the 'culture does not support pay for performance'.² In Britain, the National Association of Governors and Managers (NAGM) has publicly expressed its doubts about the appropriateness of linking teachers' pay to performance³. Professional organisations in both countries have generally been opposed to pay for performance. The most common reasons put forward being perceived lack of fairness of assessments, difficulties of measuring performance, and a potentially negative effect on relationships with other teachers.⁴

1. Scotland has a separate educational system from that of England and Wales, not covered in this paper.

2. In all, 43% of education personnel managers were of this view, compared with 35% in government, and 31% in non-profit organisations. In most other activities, 'culture' was not cited among the top five impediments to the success of pay for performance (Wyatt, 1989).

3. In their evidence to the 1997 Pay Review Body, the National Association of Governors and Managers stated 'NAGM doubts the value of this régime, because it represents a systematic attempt by the Government to push reluctant governing bodies into PRP for heads and deputies, and does so in a way which may in due course oblige them, also against their better judgement to make greater use of excellence points for classroom teachers'. (para 14, Written evidence to the School Teachers' Review Body for its 1997 report, September 1996).

4. For example, in their evidence to the School Teachers' Review Body in 1992, the NUT and NASUWT stated 'the two teachers' unions oppose performance related pay as the term is generally understood; that is, as a specific individual or group bonus scheme — or a combination of the two — that operates in addition to the normal pattern of career progression and promotion'. Performance related pay: submission to the School Teachers' Review Body by the NASUWT and the NUT, para 1.5.

As for the views of teachers themselves, the evidence has been mixed. In the US, some, but not all, surveys of teacher views have found majorities in favour of the principle (Ballou and Podgursky, 1993), although it should be said that many of those replying had not had personal experience of performance pay. In Britain, the 1991 IMS survey of British head teachers found widespread scepticism as to how well a performance pay system would work in their schools (Bevan and Stock, 1991).

As these views generally reflected scepticism prior to the application of performance pay schemes, it is of considerable interest and importance to discover the views and experiences of teachers who have had direct experience of having their pay linked to performance. Moreover, there has been little serious evaluation of the effects of performance pay schemes on employee motivation that is in the public domain, and there has been none in education. Since the introduction of a form of performance pay for head teachers and deputy head teachers in England and Wales, we now have the opportunity to do this. For this reason, the CEP decided to carry out a survey of the views and experiences of heads and deputies with the support of their two professional associations, the NAHT and SHA.

This chapter evaluates some of the effects of performance pay for heads and deputies in England and Wales. It starts with an outline of pay arrangements for heads and deputies and the procedures for awarding performance pay. It then briefly describes the survey before presenting some of its main findings. We enquired into the general work orientations of heads and deputies and their general views on pay before looking at how the scheme had been implemented in their schools. We then explored their views on the principle of performance pay, and then its impact on target setting, relations with other staff and governors, and on their own motivation.

6.2 The Performance Pay Scheme for Heads and Deputies

The new pay structure for heads and deputies in England and Wales, which took effect from January 1 1991, comprises a 51 point spine, which at the time of our survey in February-March 1997, ran from £24,564 to £55,566 a year, with the size of individual steps varying from £402 to £939. Ranges of points were assigned to schools of different sizes, size being determined by pupil numbers and their age, older pupils attracting a higher weight⁵. Heads and deputies may not be appointed below the minimum point for the size of school they run, but they may be appointed above that level. Progression from one point on the spine to another is decided annually by the

In its Salary Guidelines of August 1996, the NAHT stated, on PRP, 'The NAHT has consistently made clear its concerns about individual performance related pay (PRP) in schools. Those concerns in summary are:

- 1) that there is no new money to pay for PRP so any such payments would be from existing funding;
- 2) that there is little evidence of individual PRP operating successfully. On the contrary, there is much evidence of demotivation and division especially where PRP is seen to operate unfairly.'

NAHT Salary Guidelines, August 1996 (PM 002) para 54.

More recently, the SHA expressed its 'established position' as follows: 'The Association has always held the view that the health of the profession requires a system of differentials providing adequate recognition of effective work linked to the discharge of responsibilities beyond those carried by all teachers. It has nevertheless agreed with the other teacher associations that excellence points have no useful part to play in the pay structure because no clear criteria for their award have been defined, because resources for any widespread use have been lacking and because their use would necessarily be divisive and therefore counterproductive in terms of overall school performance' (SHA, 1997, p. 2). SHA Pay and Conditions of Employment for Heads, Deputies and Classroom Teachers: Scosoff's guidance on the 1997 settlement, August 1997.

5. There are six such ranges in all, corresponding to the size groups shown in Table A11 (Appendix 1).

school's governing body, and there is no automatic annual increment⁶. Governing bodies may pay above the normal maximum for their school size if they consider appropriate on grounds of duties, responsibilities or performance. They are required to review the salaries of their heads and deputies annually, and to notify them in writing of their decision and the reasons, and informing them of the grounds of future reviews. In reaching their decisions, governing bodies are required to follow the statutory guidelines laid down in the School Teachers' Pay and Conditions Document (The Document 1996, §4).

The system of school governance and of heads' and deputies' pay has been evolving rapidly over the past decade. The current system dates back to the then government's Local Management of Schools' initiative (LMS) which was introduced gradually from 1988 with the passing of the 1988 Education Reform Act. Local management required schools to take over responsibilities from local education authorities, transferring many powers to the schools' governing bodies.

To assist Local Management, from 1991, the government developed a national framework for schools. This included the establishment of a national curriculum, a system for assessing school performance, with publication of performance tables, and external evaluation by inspectors from the Office for Standards in Education, Ofsted. Development planning for schools has been encouraged as a mechanism for involving all those with a stake in the process. Monitoring the achievement of the targets set has become one of the major responsibilities of governing bodies (Ofsted, 1996).

From the beginning, as a part of the Citizens' Charter, the government was also keen on the introduction of performance pay for all teachers, both in the classroom and for heads and deputies⁷. However, because of the many difficulties involved, the government moved cautiously, and at present, the only scheme effectively in operation is that for heads and deputies, building on their 1991 pay structure. For classroom teachers, a new pay structure was introduced in September 1993 which included provision for the award of 'excellence points' taking account of all aspects of a teacher's performance, but with special regard to classroom teaching. However, a survey by the Review Body carried out in the first year of operation reported that initial use of these points had been very limited (STRB 1994, p. 29), a point confirmed in its 1997 report. The Review Body findings stressed in particular the perceived financial constraints on schools, and considerable uncertainty about the principle and practicality of rewarding teachers in this way on a fair and objective basis. But most important, the new system of appraisal for classroom teachers was not expected to be ready before 1995.⁸

The criteria for setting heads' and deputies' pay have evolved considerably since the new pay structure came into effect. Governing bodies are instructed by Document to pay special, but not exclusive, regard to four criteria:

6. Strictly speaking these powers belong to the 'relevant body' which may be the governing body or the LEA (DfEE 1996b). For simplicity of exposition we have chosen to avoid this rather cumbersome term. Throughout the text, we use 'governing body' to refer to both types of arrangement.

7. In fact, there had been a system of accelerated increments and special payments for those at the top of their scale since 1987. The 1992 Review Body reported that there was virtually no information on the use of the first, but that the second had not been widely used, affecting fewer than 2,000 teachers nationally in 1991 (STRB 1992 §101-108). However, according to the 1992 Review Body report, these had not been widely used. STRB 1992.

8. In July 1991, the government set up a four-year programme of teacher appraisal, to complete the first round of appraising all teachers by August 1995, and thereafter, to appraise them on a two-yearly basis (STRB 1992, §64). The 1996 STRB reported that many schools had been reluctant to use 'excellence points' for classroom teachers in the absence of suitable criteria. The Review Body reported that the Teacher Training Agency planned to have national standards for expert classroom teachers in place by early 1997 (STRB 1996 §115).

- the responsibilities of the post
- the social, economic and cultural background of the pupils attending the school
- whether the post is difficult to fill
- the head's and deputy's performance⁹

The first three criteria have remained unchanged since the new pay structure was implemented, but the last one, that on performance, has undergone considerable revision. At the time of our survey, heads and deputies had recently experienced the application of the criteria in force for 1995/96 setting their pay in September 1996, and were currently working towards their 1997 review on a set of more carefully defined criteria.

The older criterion stressed relative performance to holders of comparable posts:

'Sustained overall performance by the headteacher or deputy headteacher which appreciably exceeds that normally expected from holders of such posts.' (STRB 1994, p. 24)

The new criterion, for 1996/97, asked:

'whether there has been a sustained high quality of performance by the head teacher or deputy head teacher.' (The Document 1996, §4)

More important, governing bodies were given much more explicit guidelines as to how to determine performance, notably, they were to be guided by four essential performance indicators (STRB 1995 §70):

- year-on-year improvement in a school's examination or test results
- year-on-year improvement in pupil attendance
- evidence of sound financial management
- if there had been a recent Ofsted inspection, progress in meeting the requirements of the resulting action plan

From September 1997, the performance criterion was further revised, adding to that for 1996/97:

'...in the light of performance criteria previously agreed between the relevant body and' the head teacher or deputy head teacher.' (The Document 1996, §4.4.1)

It was also made compulsory for governing bodies to hold annual performance reviews with their heads and deputies before any increase in pay can occur.

Thus, the rules governing performance pay for heads and deputies have evolved considerably since the new terms and conditions were introduced. In this process, the Review Body has played a special role in promoting the introduction and refinement of performance pay in the light of each additional year's experience.

In particular, the Review Body has pressed for a design that:

9. The DfEE point out that 'failure to award a point on performance grounds does not prevent awarding one on other grounds' (DfEE 1996b, § 22).

- is simple, straightforward and easy to understand
- aims for year-on-year improvement in outcomes
- has a common national framework, but with sufficient flexibility to allow for individual school circumstances
- encourages positive attitudes for both educational purposes and school outcomes
- provides that any payments should be funded separately from the rest of the school's budget
(STRB 1995 § 68)

The funding of additional spine points has remained the one major area where the government has consistently rejected the Review Body's advice in the interests of wider budgetary considerations. In its 1993 report, the Review Body pointed out that the funding arrangements for the Local Management of Schools did not allow for extra funding to reward improvements in performance (STRB 1992 §73). It repeated its warning in 1993, pointing out that uncertainty over funding was one of the reasons why some of the available pay discretions were not being used more widely (STRB 1993, §16). In its survey of April 1993, the Review Body reported that the commonest reason for not using pay discretions for heads and deputies was because the school lacked sufficient funds (STRB 1993, §63-65).

Nevertheless, use of additional spine points for heads and deputies has become established over time. This can be seen in the information provided by the Review Body on the numbers of additional spine points (for all four criteria) awarded to heads and deputies since 1993 (Table 6.1). After some fluctuation in the first two years, the percentage of heads and deputies each year receiving awards appears to have stabilised at just under 30% for both groups. The distribution of awards over a longer period, January 1991 to September 1994, shows both that many heads and deputies have been awarded additional spine points on more than one occasion, and that many of those receiving no award in one year are likely to receive one in a subsequent year. Thus, by September 1994, just under 60% of heads and just over 50% of deputies had received additional spine points. The latter results are consistent with those of our own survey which referred to the three years 1993-1996 where just under 60% of heads and deputies replied that they had received additional spine points over the past three years (see Table 6.8).

Table 6.1
Additional spine points for school heads and deputies (all schools)
Head Teachers

Additional Spine Points	March-Sept 93	Sept 93-94	Sept 94-95	Sept 95-96	Jan 91-Sept 94
<0	1.0	0.0	0.1	0.3	0.4
0	78.3	68.4	72.8	71.8	43.5
1	7.3	10.7	12.4	13.1	5.2
2	5.5	8.9	8.0	9.5	13.4
3	2.9	5.4	3.2	2.8	10.7
>3	5.0	6.6	3.5	2.6	26.8
All	100.0	100.0	100.0	100.0	100.0
% in same post	-	84	86	85	69

Deputy Head Teachers

Additional Spine Points	March-Sept 93	Sept 93-94	Sept 94-95	Sept 95-96	Jan 91-Sept 94
<0	0.5	0.2	0.0	0.1	0.6
0	79.4	70.4	74.3	72.9	48.2
1	9.3	13.2	13.4	17.0	7.8
2	5.5	9.0	7.1	6.8	16.1
3	3.0	4.2	2.7	1.5	10.4
>3	2.2	3.0	2.3	1.7	16.8
All	100.0	100.0	100.0	100.0	100.0
% in same post		81	83	81	61

Note: Distribution of head teachers who remained in the same post during the year and who received additional spine points. Source: School Teachers' Review Body, 1993-97, annually for individual years, and 1995 Table 7 and 9.

6.3 The Survey

A survey of school head and deputy head teacher attitudes and experiences with performance related pay was carried out by the Centre for Economic Performance in February-March 1997. This chapter provides a first full analysis of the results with the results presented separately for each of the two main unions for head and deputy head teachers, the National Association of Head Teachers (NAHT) whose members include heads and deputies from secondary schools, but the great majority are drawn mainly from nursery and primary schools; and the Secondary Heads Association (SHA) the great majority of whose members are in secondary schools.

The questionnaire was sent out to 5,000 school heads and deputies: 3,000 to NAHT members and 2,000 to SHA members. 1,960 replies were received giving an overall response rate of just under 40%. The response has been well-distributed across schools and gender, age and qualifications of heads and deputies, and most important, the percentage replying that they had received additional spine points is close to that found by the STRB 1995 (see Appendix 1).

6.4 The Conduct of the Performance Review

Before one can judge the effects of performance pay for school heads and deputies it is essential to know whether the scheme has been applied as it was intended, or indeed, whether it has been applied at all.

Because of the changes in the procedures for setting objectives for heads and deputies and the refinement of the criteria to be used between 1995/96 and 1996/97, we asked about the conduct of annual reviews in both periods bearing in mind that the objectives would have been agreed for 1996/97, but evaluation of their achievement would not yet have taken place.

A minimal test of whether the most basic of the procedures are carried out is given by whether or not Heads and Deputies have had, or expect to have, an Annual Salary Statement (which informs them of their position on the pay spine, the reasons why, and the conditions for future salary reviews) and a Performance Review for the current year (1996/97). Among members of both associations, over 60% had received an Annual Salary Statement, the higher percentage among SHA members no doubt reflecting the generally larger size of secondary schools, and hence

the greater likelihood of more formalised relations with governing bodies (Table 6.2). On the other hand, use of the Performance Review has been more limited, affecting only about one third of heads and deputies. However, the reviews did not become compulsory until September 1997.

Table 6.2
Percentage receiving annual salary statements and performance reviews

Have you received, or do you expect to receive any of the following during the year 1996/7 from your school's Governing Body:	NAHT	SHA
% replying 'yes'	%	%
an Annual Salary Statement	61.6	67.8
a Performance Review	33.7	33.2

In deciding salary enhancements, governing bodies rely heavily on the four criteria set out in their remit, and although allowed to do so, only a minority use other, additional, criteria (Table 6.3). By far the most commonly used criterion is the responsibility of post, but the second most commonly cited, in six cases out of ten, in both primary and secondary schools, is that of sustained high performance in the post.

Table 6.3
Criteria in the school's pay policy for salary enhancements

Which of the following criteria are in the School's Pay Policy for awarding enhancements to pay :	NAHT	SHA
% replying 'yes'	%	%
The responsibility of the post	86.5	88.9
Sustained high performance in the post	60.4	59.4
The social, economic and cultural background of the pupils	38.7	32.8
The difficulty of filling the post	40.1	37.2
Other criteria	21.2	31.0

The criteria used to assess heads' and deputies' performance include both objective and subjective criteria. Top of the list comes the School Development Plan, followed by evidence of sound financial management, and progress in implementing an Ofsted action plan (Table 6.4). Interestingly, some of the more controversial indicators, such as exam results and absence rates figure much lower down the list. Subjective criteria continue to play an important part, notably, the governors' personal judgement of their head's and deputy's, and the school's performance.

Table 6.4
The nature of performance criteria used for the 1996/97 performance review

Objective criteria

Objective criteria	NAHT	SHA
% replying 'yes'		
School Development Plan	79.1	74.7
Evidence of sound financial management	73.7	64.8
Progress in implementing an Ofsted action plan	63.8	60.7
School examination/test results	31.3	50.3
School absence rates	14.5	31.7
Other objective criteria	28.3	44.4

Subjective criteria

Subjective criteria	NAHT	SHA
% replying 'yes'		
Their personal judgement of my performance	75.2	74.2
Their personal judgement of the school's performance	71.3	65.0

Whether or not a head or deputy has had a Performance Review is a good predictor of the type of criteria used for deciding salary enhancements and especially performance-based enhancements (Table 6.5). Although there were many exceptions both ways, on the whole, those who had a Performance Review were more likely to be rated on their 'sustained high performance'. Those with a review were also more likely to reply that the formal criteria in Table 6.4 had been used.

Table 6.5
Effect of having a performance review on performance criteria used
 % reporting the following criteria were used

Criterion used	With review	No review	Sig
	% using criterion	% using criterion	
Sustained high performance	75.5	48.7	**
School development plan	89.0	68.5	**
Sound financial management	78.9	66.2	**
Implement Ofsted plan	66.9	59.9	*
Exam results	42.9	28.5	**
No formal criteria	17.4	35.6	**

Note: Significance (probability difference due to chance): ** <1%, * <2%

Turning to the way in which targets have been set, the great majority of heads and deputies replied that they either agreed their targets with their school's governing body, or advised or were consulted over the targets (Table 6.6). About a third of heads and deputies reported a direct link between pay and performance targets, and of these, roughly 85% said they agreed their criteria with governing body. Although primary schools were more likely to follow LEA guidelines, this does not seem to have affected whether or not pay was linked to performance.

Table 6.6
Procedures for setting targets in the 1996/97 performance review

	NAHT	SHA
I agreed the targets with my school's Governing Body	75.8	76.6
I advised the Governing Body on the appropriate criteria	74.9	72.4
I was consulted over the choice of targets by the Governing Body	68.9	70.9
My school's Governing Body used its own school-related criteria	35.5	43.3
My school's Governing Body consulted other teachers on appropriate criteria	6.8	10.7
The Governing Body follows recommendations from the LEA	56.4	35.2
Does the Performance Review link targets directly to pay	33.7	28.7
No explicit criteria were used	22.9	20.0

Note: views of those who had a performance review in 1996/97

Compared with the position for the 1995/96 review, there appears to have been a considerable tightening up of procedures (Table 6.7). In that review, significantly fewer heads and deputies had been informed in writing of their position on their pay scale, or had been informed of the basis on which their pay was to be determined.¹⁰ In view of the small percentages reporting formal reviews of performance and use of appraisal, the 1996/97 replies show a substantial improvement on the procedural side.

Table 6.7
Conduct of the 1995/96 review

% replying 'yes'	NAHT	SHA
In the previous review of your pay (for 1995/6) were you informed of the following in accordance with Para 3 of the Document :		
Did the Governing Body inform you, in writing, of your position on the pay scale?	54.2	62.6
Were you informed by the Governing Body of the basis on which your pay had been determined?	45.5	41.4
Did the Governing Body inform you of the grounds for future reviews?	23.4	21.5
Was your performance formally reviewed?	23.5	21.5
Was this linked to performance appraisal?	4.5	5.9

6.5 Awarding of Salary Enhancements

Turning to salary enhancements, the majority of respondents from both associations have received at least one salary enhancement over the past three years, but there remain about two out of five heads and deputies who have not (Table 6.8). These figures are in line with the estimates for the earlier period of 1991-1994 by the 1995 Review Body. A much smaller proportion received performance-based enhancements: at about a quarter of heads and deputies, but there was no marked difference between primary and secondary schools.¹¹

10. Our results are close to those reported by the 1995 Review Body. In their survey of mid-1995, 55% of heads had been informed in writing of their position on the scale, and 41% had been informed of the basis on which their pay had been set. 30%, a bit higher than our figure, had been informed of the grounds for future reviews (STRB 1996 §65).

11. Strictly speaking the question asked was 'how many of these were performance related'. However, it is clear from the numbers responding, practically the same for both questions about the number of enhancements and

Table 6.8
Number of enhancements received over the last 3 years

	Enhancements overall		Performance related	
	NAHT	SHA	NAHT	SHA
0	40.3	42.7	76.0	78.6
1-2	43.9	43.2	18.0	16.8
=>3	15.8	14.1	6.0	4.6
	100	100	100	100

About 40% of those who received enhancements received at least one performance-based enhancement, and the more enhancements received, the more likely it was that they would receive at least one for performance. Of those receiving only one enhancement, 31% did so for performance; of those receiving two, 42% did so for performance, but of those receiving three or more, 52% received at least some for performance.

A preliminary analysis of the cross-tabulations shows that some categories of heads and deputies are more likely to get performance enhancements than others. Notably, of those having a Performance Review, 47% got performance enhancements against 13% of those who had not. Likewise, if they agreed performance criteria with their governing bodies they were more likely to receive performance enhancements (47% against 32%). If the school was in a deprived neighbourhood, as identified by the percentage of pupils receiving free school meals, heads and deputies were less likely to get performance enhancements. This could reflect a number of factors: in deprived neighbourhoods the school's head teacher may already appear 'well-off'; governors themselves may not be sympathetic to a 'performance culture'; and the schools themselves may have more limited resources.¹² Grant Maintained and Voluntary Controlled schools were more likely to award performance enhancements: about one third of heads and deputies there had received them, compared with a quarter in LEA Maintained and Voluntary Aided schools.

In contrast, simple cross-tabulations showed no particular effect of age, gender, school type (primary/secondary), location in London, or whether the school followed LEA guidelines.

To conclude, by 1997, it is clear that the procedures for awarding performance pay to heads and deputies were fairly well established. Although there remained a substantial minority of schools which did not appear to follow the guidelines, there had been a marked improvement following the much more specific guidelines for 1996/97. In addition, performance criteria and performance related enhancements are being used in a considerable number of schools. It would appear too that a large number of governing bodies are taking the performance criteria seriously both for schools, and for heads and deputies. In strong contrast to the position for classroom teachers, it is clear that performance enhancements are being used quite widely for heads and deputies.

the number that were performance related, that respondents gave the number of performance-related increments received overall.

12. Public funding compensates for many differences in neighbourhood wealth, but there remain greater possibilities to raise additional money in better off neighbourhoods. Although money raised by Parent Teacher Associations is practically never used for salaries, it is likely to ease the general financial pressure on the schools concerned.

6.6 General Orientations to Work in Schools and Education

A basic pre-condition for incentive schemes to influence employee performance is that they should value the rewards on offer. To gauge this, it is useful to look across the range of benefits, material and non-material, they derive from their work. It is clear from the responses to our survey that heads and deputies derive a large number of non-monetary rewards from their jobs, particularly, the intrinsic challenges, interest, and public service of their job (Table 6.9). However, material rewards are also important, as is shown by the importance attached to pay, pension, and job security.

Table 6.9
Value of current job

No.	The following issues are important to me in my current job:	% Agree NAHT	% Agree SHA
1	Job security	90.1	91.9
2	My level of income	87.0	91.5
3	Contributing to an important public service	94.4	92.5
4	My pension	89.0	90.1
5	Opportunities to exercise responsibility	90.7	97.0
6	Varied and interesting work	96.3	98.2
7	The opportunity to take early retirement	51.1	48.8
8	Status	48.5	58.4
9	Self-esteem	80.9	85.5

Note: question numbers based on NAHT questionnaire.

Heads and deputies also derive a lot of satisfaction from the nature of their activity, and the great majority show little sign of wishing to leave for other jobs (Table 6.10). They also consider themselves good ‘organisational citizens’: always showing goodwill to complete urgent tasks, and keeping well-informed for the benefit of their schools. Our results echo those of Vaarlem et al. (1992) on factors head teachers considered important for their own morale.¹³

Table 6.10
General attitudes to work in education

No.	% replying ‘Agree’	NAHT	SHA
90	Working in education means a great deal to me	89.8	91.6
86	I would be happy to spend the rest of my career in education	72.6	85.5
87	I always show goodwill to complete an urgent task	93.5	95.3
88	I keep myself well-informed and undertake training when I think this may benefit the school	98.1	97.3

They also feel a strong sense of attachment and commitment to their schools, feeling ‘part of the family’ and having confidence and trust in their colleagues (Table 6.11).

The further one moves from the work place, the less happy heads and deputies seem to be. Confidence and trust in the school’s governors, even though lower than with colleagues, is nevertheless high. Most striking, however, are the numbers who feel that teachers lose out whenever

13. Precise comparison with their results is not possible, but where their questions were similar, for example, for job security, service, and responsibility, they were given a similar degree of importance. The main differences were that pay was less highly, and status in the community more highly, rated (Vaarlam et al. 1992, Table A4).

there are changes in education: three out of five primary heads and deputies, and one in three secondary heads and deputies (Table 6.12).

Table 6.11
Atmosphere in schools

No.	% Agree	NAHT	SHA
81	I feel 'part of the family' in my current school	92.0	89.1
82	I feel a strong sense of commitment to my school	98.7	98.3
83	I am very happy working here	89.3	90.3
84	I do not feel 'emotionally attached' to the school	15.1	15.3
85	I think that I could easily become as attached to another organisation as This school	50.1	59.9
92	I have confidence and trust in my colleagues in the school	92.0	91.4
93	I have confidence and trust in the school's governors	73.2	72.5

Table 6.12
Atmosphere in education

No.		% Disagree	% Agree
89	NAHT Whenever changes are made in education teachers usually lose out in the end	24.7	59.5
	SHA	45.4	35.1
91	NAHT My performance is always well above that of other Heads/Deputies in similar schools.	14.3	20.2
	SHA	13.2	22.8

6.7 General Views on the Job and the Principle of Relating Pay to Performance

In assessing the reactions of heads and deputies to performance related pay, it is important to remember that only a quarter have actually received performance enhancements to their salaries, although about 60% of schools use performance as one of their criteria for deciding heads' and deputies' pay.

On balance, heads and deputies are not favourable to the principle of performance related pay, but NAHT members are considerably more sceptical than their SHA counterparts (Table 6.13)¹⁴. This may reflect stronger opposition among primary than among secondary school heads, feeling that teachers are victims rather than agents in change (Table 6.12). Primary schools, being generally smaller than secondary schools, will have less capacity to deal with frequent changes in the educational system.

Disapproval of the principle stands in marked contrast to the results of the same survey carried out by the authors in two civil service departments and in two NHS trust hospitals where between a half and two thirds of staff thought performance pay good in principle.

Table 6.13
Views on the principle of performance pay

14. This point is recognised in the SHA guidance notes for the 1997 settlement in which it recognises that some of its members 'may wish to argue that it would be quixotic to oppose any pay advance for heads or deputies on performance grounds, if their governors judge it to be affordable and merited', (SHA,1997).

No.			Disagree	Agree
10	NAHT	The principle of performance pay is a good one	63.1	28.9
	SHA		50.2	41.9
11	NAHT	The idea of Performance Pay for Heads and Deputies is fundamentally unfair	35.0	53.0
	SHA		47.5	42.3

Heads and deputies stressed the importance of a number of other principles for determining their pay (Table 6.14). In particular, they thought that experience, the difference in duties between heads and deputies in different schools, and the demands of the post should be given more recognition in pay. The stronger support for experience being more fully recognised among NAHT members may again reflect a desire for simpler and more predictable pay systems given the smaller scale of many primary schools.

Table 6.14
Views on alternative principles of pay

No.			Disagree	Agree
12	NAHT	Experience should count more	31.0	52.5
	SHA		48.5	33.4
13	NAHT	Take more account of different duties in different schools	9.6	79.6
	SHA		15.0	74.3
17	NAHT	Demands of the post and not performance of individuals	14.6	74.8
	SHA		25.6	62.8
16	NAHT	Pay according to nationally determined pay scales	8.9	83.3
	SHA		12.1	78.4
14	NAHT	Pay solely for individual performance	81.8	9.2
	SHA		84.1	8.0
15	NAHT	Pay more when posts are difficult to recruit	25.2	54.6
	SHA		29.8	51.0

A number of factors influence heads' and deputies views of whether performance pay is good in principle (Table 6.15). First, the nature of their experience with the system. As noted earlier, whether or not there had been a Performance Review was a good predictor of the sophistication of the procedures used, and this is related to heads' and deputies' views of the principle. Of those with a performance review, 43% believe the principle good, compared with 27% of those without one. Whether or not they have received a performance enhancement also has a strong effect. Although only a minority of heads thought their work consistently better than that of their peers, 47% of those who did approved the principle, against 23% among those who did not. Similarly, those in schools in better off neighbourhoods were more likely to approve of the principle. Heads and deputies were more likely to approve if they were male, and if they were in secondary rather than primary schools. Closer examination of the relationship between gender and type of

school shows that the different views of women and men on the principle of performance pay are almost entirely due to women being more often heads in primary schools.¹⁵

Table 6.15
Effect of different factors on support for the principle of performance pay
 % agreeing with principle of linking pay to performance

	%		%
Performance Review: Yes	42.6	Pupils on free meals =<10%	36.3
No	27.0	>25%	28.2
No performance enhancement	27.7	Male	33.3
3 or more perf. enhancements	60.0	Female	28.7
Perform better than peers: Yes	46.7	Secondary	42.8
No	22.9	Primary	27.0

Note: All significant at 1% level except free meals at 5% (Chi square test).

6.8 Target Setting

An important part of any incentive scheme is that the targets should be clearly set and done in such a way that employees can adjust and improve their performance, or at least, align it more closely to management's objectives. The Review Body has consistently argued that clear, objective targets that are mutually agreed are essential.

Table 6.16
Impact on target setting for heads, deputies and governors

No.		Salary enhancements based on performance for Heads and Deputies have:	Disagree %	Agree %
48	NAHT	made the Governing Body think more clearly about the School Development Plan	34.4	35.7
	SHA		38.6	28.7
58	NAHT	made me more aware of the comparative performance of my school.	49.9	23.9
	SHA		53.8	20.6
61	NAHT	helped me clarify my work priorities	56.5	19.1
	SHA		56.5	19.4

Overall, heads and deputies do not see performance pay as having improved target setting either by governors or for themselves, although there is an important minority who disagree, and one factor in this is the quality of review procedures and whether or not performance enhancements have been given (Table 6.16).

Comparing those with a Performance Review with those without, we find that 52% with, against 26% without, believe performance pay has made the governing body think more clearly about objectives. Likewise, those with a review compared to those without, are more likely to have

15 . The percentage approving of the principle of performance pay in secondary schools are: women 40.1%, men, 42.4%; and in primary schools: women 24.0% and men 28.3%. Overall, these differences were not statistically significant.

been made more aware of comparative performance and to have clarified priorities. The ratios are 30% to 20%, and 27% to 15% respectively.

Comparing replies of those who have received performance enhancements to those who have not, the differences are even more pronounced. In schools where three or more performance enhancements had been awarded, 62% of heads and deputies judged performance pay to have improved governors' target setting, against 29% where no enhancements had been given. There were also strong effects on awareness of comparative performance and priorities: 39% against 20% and 32% against 17%.

Thus, although the overall effects of the system on target setting across all schools are not impressive, there is a fair-sized minority of schools, about a quarter, which have used the full scope of the new provisions and have done so to good effect.

6.9 Relations with Governing Body

On the whole, relations with governors over performance enhancements appear favourable, except that a large number felt that they had not had sufficient opportunity to discuss their performance with governors, and a substantial minority did not believe their decision represented a fair reflection of their performance (Table 6.17). By comparison, the much more widely held view that they are not paid enough for their responsibilities shows that general discontent on teachers' pay has not seriously coloured views on performance pay.

Finally, only a few felt pressured into accepting performance targets, most understood their governors' decisions, and most felt that appeal procedures were available.

Table 6.17
Fairness of the Governors' decisions on performance enhancements

No.			Disagree %	Agree %
72	NAHT	Throughout the last year, I had sufficient opportunity to discuss my performance with my Governing Body	51.4	38.0
	SHA		51.9	36.3
80	NAHT	I feel pressurised into accepting performance targets set by the Governors without discussion.	63.8	11.9
	SHA		67.6	12.8
73	NAHT	I understand the Governing Body's decision regarding my pay	17.6	65.5
	SHA		20.4	66.2
75	NAHT	If I were dissatisfied with the Governors' decision, procedures exist to allow me to appeal	24.0	57.4
	SHA		25.1	57.2
74	NAHT	The decision represents a fair reflection of my performance	33.3	41.0
	SHA		28.7	42.2
67	NAHT	I am paid enough for my current responsibilities	66.6	22.8
	SHA		51.4	36.7

If we take again whether or not there was a Performance Review as the indicator of established procedures, then the view becomes much more positive. Instead of 28% believing they had sufficient opportunity to discuss their performance, we find 57% replying positively. Likewise, 82% of those with a review understood their governors' decision, and 59% believed it a fair reflection of their performance. For those without reviews, the equivalent figures were 57% and

32%. The presence of reviews affected responses to the other questions in a similar fashion, except that very few felt pressurised whether or not they had a review. Similar cross-tabulations were done for those with performance enhancements, and the effect was somewhat stronger. However, if one is assessing the impact of performance incentives, it is more appropriate to consider those covered by the system rather than concentrate only on those who won prizes.

One of the big problems with Local Management of Schools, and of performance pay in education more generally, is the widespread belief that good performance is a complex and subtle phenomenon, and therefore hard to measure objectively and fairly. This has been a recurring concern in the Review Body reports, and considerable effort has been devoted to identifying and refining suitable indicators.

Most heads and deputies in our sample agreed that performance pay is problematic because it is hard to gauge individual performance, and most felt that their governing body did not know enough about their jobs (Table 6.18). But equally, most felt their governors to be supportive and that they understood how they determined enhancements in their school. In contrast, most felt their LEAs had not been of great assistance.

Table 6.18
Clarity, transparency and equity of awards

No.			Disagree %	Agree %
47	NAHT	PRP is problematic because hard to link work schools to individual performance	11.9	82.0
	SHA		15.1	81.4
68	NAHT	The Governing Body know enough about my job to identify good performance	55.7	37.0
	SHA		52.9	39.1
66	NAHT	My Governing Body provide me with the support I need to perform well in the post	22.9	66.6
	SHA		19.4	67.3
65	NAHT	I do not understand how the Governors in my school determine the award of enhancements	56.0	22.8
	SHA		58.6	23.0
70	NAHT	LEA advice has helped the Governors set fair salary levels	54.9	24.0
	SHA		50.6	18.9
69	NAHT	The LEA has provided information on pay trends in the local area.	45.3	41.9
	SHA		44.4	34.1

As with the previous answers, for the one third of schools with a performance review, heads' and deputies' judgements are noticeably more positive. Among those with a review, 76% found their governors supportive, compared with 63% for those who had not, and many more believed their governors adequately informed, 50% against 31%. Similarly, fewer heads and deputies were likely to reply that they did not understand how enhancements were determined in their school, and the presence of a review also increased the scope for help and information from the LEA.

On the other hand, the presence of a review had no effect on whether heads and deputies considered themselves paid well enough for their responsibilities. This is an interesting result because it confirms that while the reviews clearly assist performance enhancements, there is no general 'halo effect' from these onto other aspects of pay.

6.10 Impact on Personal Motivation

The general tenor of replies on personal motivation is that performance enhancements have not had much effect on incentives, but equally, they have not caused heads and deputies to wish to cooperate less with their school's governors (Table 6.19). Many believed it has not raised the quality of their work because it was already at the appropriate standard.

Table 6.19
Performance pay and personal motivation

No.		Linking my performance to my pay has:	Disagree %	Agree %
49	NAHT	meant that good work is recognised and rewarded at last	33.9	37.9
	SHA		36.9	40.0
59	NAHT	given me an added incentive to work beyond the requirements of the job	73.8	8.1
	SHA		75.1	9.8
62	NAHT	given me an incentive me to show more initiative in my job	68.4	8.7
	SHA		67.9	11.3
63	NAHT	has caused me greater stress in my job	35.9	36.2
	SHA		49.5	22.3
60	NAHT	reduced my wish to co-operate with the Governing Body	66.9	6.7
	SHA		71.8	4.2
64	NAHT	had no effect on the quality of my work because it was already at the appropriate standard	8.6	68.6
	SHA		10.8	64.0

A striking feature of the replies is that judgements of 'no effect' are stronger among those who have had, or expect to have, a performance review than among the others. However, almost all of this is to be explained by a sharp drop in the 'no view' response. In other words, the better established the procedures in a particular school, the more likely its heads and deputies are to judge that there has been no effect, positive or negative. The one, and notable, exception is the belief that good work is recognised and rewarded at last: 51% of those with a review agreed, whereas among those without a review, 'disagrees' outnumbered 'agrees'.

One possible explanation of these rather negative findings is that, on the whole, even where the procedures are established, heads and deputies are generally sceptical as to whether additional effort will be rewarded by performance enhancements. Lack of clarity may leave them uncertain as to how they should perform; they may not believe they are capable of achieving it (perhaps because of lack of resources, or training); they may believe their school cannot afford it; or that it is contrary to the governors' policy.

The overall picture shows widespread scepticism, although roughly half of heads and deputies know what they have to do to gain an enhancement, and believe they are personally capable (Table 6.20). However, a very large majority believe their schools cannot afford performance enhancements, and about half believe their governors' pay policy is against it, even if their personal performance is good enough. Given this picture, it is hardly surprising that performance enhancements seem to have had little overall incentive effect.

Finally, the large numbers who replied that performance enhancements had no effect on their performance because it was already at the 'appropriate standard' deserves comment. This was designed to capture whether heads and deputies felt there was some level of performance they

deemed appropriate for their profession. To fall beneath is not to do one's job properly, but equally, there is a limit on what can reasonably be demanded of people in certain jobs. The great majority of both NAHT and SHA members replied positively to this question. One of the objectives of performance pay in the literature is to destabilise employees' views on what is a fair standard of work so that a new norm can be established. Such views have commonly been associated with groups with a strong occupational identity either within the workplace, or, in the case of professional workers, more widely.

Table 6.20
Will rewards follow high performance?

No.			Disagree	Agree
76	NAHT	I know what I have to do to get an enhancement based on my performance in the future	45.8	30.3
	SHA		45.4	29.6
77	NAHT	I am personally capable of getting an enhancement based on my performance in the future	23.1	47.7
	SHA		20.2	51.0
78	NAHT	Even if my performance is good enough, I doubt if the school can afford to reward me with an enhancement	14.3	77.4
	SHA		18.2	67.9
79	NAHT	Even if my performance is good enough, I doubt if the Governors' pay policy will permit performance related pay	30.2	48.4
	SHA		33.7	45.0

However, if we turn to those who have had performance reviews, a more complex picture emerges. Those who have had reviews are more than twice as likely to say they know what they have to do, and to believe they are personally capable of doing it (52.7% to 18.7%; and 65.3% to 39.6% respectively). In contrast, those without a review are much more likely to believe their school cannot afford enhancements, and that their governors' policy is against it (81.5% to 63.7%, and 57.8% to 28.3% respectively).

This does raise a difficult question of causation: do underfunded schools, with little to hand out by way of enhancements, avoid having reviews because they might create false expectations; or is it the review process together with better developed procedures which explains the more positive views among heads? One test of this is to see whether schools in deprived neighbourhoods are less likely to have performance reviews, and to see whether heads in schools in such neighbourhoods are more likely to believe enhancements are constrained by lack of resources. In both cases, the relationship is weak and not statistically significant, so it would appear that the critical factor is how well schools have developed their performance appraisal procedures. These provide opportunities for two-way information between heads and deputies and their governors.

6.11 Impact on Relations with Other Staff in the School

One of the most widely discussed problems of performance related pay is whether such schemes motivate the few at the expense of the motivation of the many. This is of special concern in schools where heads and classroom teachers work closely together, especially in small schools where the head will usually be a 'player-manager' with a heavy classroom load, and where it is often hard to

identify the contribution of individuals to the overall performance of the school. The lack of any operational performance pay scheme for classroom teachers could also be felt divisive.

Overall, it was widely felt that performance enhancements for heads and deputies cause resentment among teaching staff, and undermine morale (Table 6.21). One factor in this is undoubtedly the belief that it is hard to link the work of schools to individual performance: around 95% of heads and deputies who thought performance pay for themselves caused resentment or undermined team working also believed it hard to link school performance to individuals.

Table 6.21
Impact on relations with other staff in the school

No		Salary enhancements based on performance for Heads and Deputies:	Disagree	Agree
46	NAHT	cause resentment among teaching staff	18.2	58.0
	SHA		13.4	70.2
51	NAHT	undermine team working in the school.	26.8	50.6
	SHA		29.6	54.0
50	NAHT	simply a device to get more work done.	39.1	26.0
	SHA		46.5	17.3

Two factors seem to account for the negative reports on resentment and team working: a widespread belief that it is better to reward the whole school rather than leading individuals because it is believed hard to identify individual contributions, and that it is unfair that classroom teachers are denied the opportunities open to heads and deputies, whether it is because of lack of procedures or want of resources (Table 6.22).

Table 6.22
Fairness of awarding salary enhancements to Heads and Deputies for good performance

No.			Disagree	Agree
52	NAHT	Individual performance objectives are a suitable basis for awarding enhancements.	52.6	30.4
	SHA		53.9	34.9
53	NAHT	Better to reward the whole school for its performance rather than H&Ds	22.2	65.3
	SHA		21.9	65.7
54	NAHT	Wrong to award to H&Ds enhancements for high performance when there are not appropriate criteria to award classroom teachers through excellent points	14.9	76.4
	SHA		19.2	75.0
71	NAHT	It is hard to justify an enhancement for myself, when there are no resources available to determine excellence points for classroom teachers.	16.8	74.7
	SHA		17.2	72.9
57	NAHT	If school's budget tight, right for H&Ds to go without even if performance merits them	50.0	39.7
	SHA		33.0	54.6
56	NAHT	Money available for salary enhancements should be substantially increased	21.0	52.8
	SHA		33.2	42.4
55	NAHT	Fair for Governors to award just to retain a Head or Deputy	40.0	40.9
	SHA		50.1	37.4

To some extent, the presence of a performance review promotes acceptance of performance pay. It appears to increase heads' and deputies' confidence in the applicability of individual performance criteria. Once again, comparing those in schools with a review to those without, we find that 45% believe individual criteria a suitable basis, against 25% where there is no review.

Nevertheless, even among schools with a review, a large number of heads and deputies reject individual criteria. One reason why this might be so is that the quality of Performance Reviews varies a good deal between schools, as is indicated by the range of criteria used. Nevertheless, even in schools where reviews are well-conducted, it is likely that some heads and deputies remain sceptical, and this leads to the second reason. Some other more general reasons are discussed in the conclusion.

6.12 Conclusions

Performance pay has become an established feature of heads' and deputies' pay in England and Wales even though it remains unpopular. About 60% of schools use performance as one of their criteria for deciding the pay of their heads and deputies, and about 25% have paid performance enhancements over the past three years. So, there is no doubt that the system is in place, and in a substantial minority of schools, it is being used to reward heads and deputies.

The procedures set up to reward heads and deputies appear very uneven as to their quality and degree of formalisation. One third of heads and deputies, by early 1997, had, or expected to

have, a formal performance review, and about two thirds had received an annual salary statement which informs them of their position on the pay spine and the reasons why.

Whether or not there is a performance review makes a difference. Where they exist, it is much more likely that formal, objective, criteria will be used for appraising heads and deputies, that performance enhancements will be awarded, and that heads and deputies will report positively about the scheme. It is more likely, but the general tenor of replies remains negative overall.

The most widely held view among heads and deputies, who have now had pay linked to performance for six years, is negative. They do not agree with the principle; its impact on target setting has been small, and that on personal motivation small or irrelevant; and it is believed to damage morale in schools and weaken team working.

However, if one concentrates on the replies of those who have received performance enhancements, the judgements are markedly less negative and often positive. The more performance enhancements received, the more likely heads and deputies will agree with the principle and believe the measurement and other difficulties can be overcome. They are more positive about the target setting functions, and are less likely to believe that performance pay for heads and deputies damages morale.

We might therefore consider two possible interpretations of the results: one which is optimistic for further use of performance pay in schools; and one which is pessimistic.

On the optimistic side, first, performance pay motivates the 'winners' but demotivates the 'losers'. This is supported by the distribution of judgements according to whether or not people have benefited personally from performance pay. Secondly, where the procedures are clear and well-established, heads and deputies are more likely to accept that it can be beneficial, so as procedures, such as the annual performance reviews, are generalised to cover heads and deputies in all schools, one might expect acceptance of the scheme to spread. There appears to be a 'learning' effect with the development of performance reviews and performance enhancements, so that the spread of performance reviews for heads and deputies and more widespread and systematic evaluation of their schools is leading to a change of management culture. This concerns in part the acceptance that a much greater range of activities within schools are susceptible to objective measurement. Here it would seem that the widespread use of Ofsted reports and school development plans illustrates that objective measurement does not simply mean 'league tables' which reduce schools' performance to a small number of dubious statistical indicators. It may be too that the improved target setting by heads and deputies will prove to be the most important part of that culture change, and that the value of performance pay itself is not to motivate, but to make the other things happen.

On the pessimistic side, however, a number of other issues have to be raised. First, even among the beneficiaries of performance enhancements, it has been common to find that a large minority, and sometimes even a majority expressed negative judgements of performance pay: it is just that they were significantly less negative than those of heads and deputies in other schools. It is possible that this shows simply that the 'learning effect' is rather slow, but as the scheme had already been around for six years, this seems too sanguine an interpretation.

Secondly, and also less optimistically for the scheme, it may be that performance pay has been successfully implemented in those schools where there were sufficient financial resources to make it worthwhile, and where governors saw it as a good opportunity to reward good heads and deputies. There was a weak tendency for the frequency of enhancements to decrease as the percentage of pupils with free school meals increased, but this needs to be explored in more depth before any firm conclusions may be drawn. The funding formulae for schools take account of some problems of local neighbourhoods, but not of the ability of schools to raise additional funds through local fundraising activities. Although these are not destined for salaries, presumably, they can ease

the general financial pressures on schools. A more powerful reason is that schools in better off neighbourhoods are more likely to be able to attract governors with management expertise as they are more likely to have pupils whose parents who run businesses or professional activities. So there may have been some 'self selection' among schools using performance enhancements.

Thirdly, there may be deeper, more philosophical, reasons for the discontent with performance pay which would not be removed by more widespread and better conducted reviews. In the literature on performance evaluation, it is common to distinguish two questions: the extent to which the criteria for evaluation or appraisal can be applied effectively and accurately; and that to which they are actually measuring the right things. In the jargon, these are referred to as 'reliability' and 'validity'¹⁶. Properly conducted reviews may allay heads' and deputies' scepticism about the practicality of measuring some aspects of performance: whether certain aspects of their work can be measured reliably. Here the careful compilation of performance indicators, and the use of the assessments by Ofsted inspectors is critical. But, many heads and deputies may still believe these are not reflecting those aspects of a school's performance which they believe to be the most appropriate: they are not valid measures of performance because they are, or are felt to be, measuring the wrong things. There is less reason to believe that carefully planned performance reviews will resolve this second, and more fundamental, question. Hence the continued scepticism among many heads and deputies. As education in a pluralist democracy is about values it may be that our responses reflect a deeper disagreement about the goals of education. If this is so, then it is vitally important that schools retain the freedom they have at the moment to decide their own criteria for awarding enhancements.

A fourth question concerns the perceived inequity between performance rewards for heads and deputies when similar opportunities are not available for classroom teachers. Two issues are inter-twined here: the inequity of opportunities for rewarding good performance of one group of teachers and not others; and the widespread belief that performance in schools is dependent on the cooperation of many individual teachers, so that it is not feasible to identify the contribution of particular individuals. If the opportunities were open to all categories of teachers, then the second question might be less poignant, but given that they are not, the system is felt to be unfair, and damaging to relations within schools. Although we did not ask specifically about this, it may be that the slow take-up of performance enhancements in schools is connected with the concern by heads and governors that it would generate feelings of inequity within their schools. The extent to which this is true may also mean that extending the performance review procedures will not necessarily bring a proportionate increase in the acceptance of performance pay principles because those schools which have adopted them were those in which concerns about their effects on relations within schools were least strongly held. While more money might alleviate the inequity, it would reduce the attractiveness of selective incentives, like performance pay, to employers.

16. See for example Cascio 1991.

Appendix 1

Sample Information

This appendix contains details of our sample response compared with such data on the sampled population as we could obtain.

1. Employment Service and Inland Revenue

To check the reliability of our sample, we compared response rates by Management pay band and by region. In the tables below, we estimated the number of questionnaires sent to each pay band and region assuming that as the sample had been selected randomly, the number of questionnaires sent out should have been proportional to number of staff in each pay band and region. Response rates are not shown for individual cells where the numbers were too small to be meaningful, indicated by ‘**’.

There was some tendency for those in the higher Management Pay Bands to respond more readily, as has been common in other of our public service PRP surveys, but there was generally a good response across all pay bands. The tables also show a good response across regions.

Table A1
Employment Service: sample information

Band	Population	Estimated no. of q'aires sent	Usable q'aires received back	Estimated response rate %
MPB1	117	10	8	81.1
MPB2	138	12	5	43.0
MPB3	590	50	30	60.3
MPB4	552	47	24	51.6
MPB5	721	61	19	31.3
MPB6	6,199	523	134	25.6
APB SEO	23	2	5	**
APB HEO	102	9	10	**
APB EO	2,231	188	35	18.6
Totals	10,673	900	270	30.0
Others	24326	900	16	

Region	Population (all grades)	Estimated q'aires sent out to MPB grades	Q'aires received back	Estimated response rate % for MPB grades
LASER	9,750	251	47	19
North West	4,193	108	45	42
Northern	1,970	51	14	28
Yorks and Humber	3,034	78	23	29
East Mids & Eastern	3,262	84	19	23
South West	2,633	68	16	24
West Midlands	2,997	77	31	40
Wales	1,918	49	19	39
Head Office	1,744	45	36	80
Scotland	3,498	90	40	44
Total	34,999	900	290	32

Similar methodological checks were carried out on the Inland Revenue survey and are given in our paper 'Performance management and performance pay at the Inland Revenue: 1996'. A summary is shown below, for the whole sample.

Table A2
Inland Revenue survey: sample information

	Population	Sample
Pay Band	%	%
B	5.2	1.9
C1	3.0	5.4
C2	9.7	17.7
D	22.8	29.9
E1	34.1	26.7
E2	25.2	18.3
Executive office		
London	9.7	8.5
North	6.8	7.2
South Yorkshire	8.1	9.2
East	8.4	9.6
South East	8.9	10.0
South West	5.2	5.8
North West	14.0	14.2
Wales & Midlands	13.6	14.3
Scotland	8.9	7.8
Northern Ireland	2.1	1.6
AO Cumbernauld	1.9	1.5
AO Shipley	1.9	1.4
Other EO or Divisions	10.7	8.9
Gender		
Female	62.2	56.2
Male	37.8	43.8
Ethnicity		
'White'	94.1	95.7
'Non-white'	5.9	4.3
Status		
Full-time	83.5	85.1
Part-time	16.5	14.9

Sources: Inland Revenue figures for 1.10.96, except for ethnicity which relates to 1.1.97; sample.

Table A3
Comparison of the survey sample with Employment Service figures

Pay Band	ES figures %	Sample No.s	Estimated response %
MPB 1	1.1	8	81.1
MPB 2	1.3	5	43.0
MPB 3	5.5	30	60.3
MPB 4	5.2	24	51.6
MPB 5	6.8	19	31.3
MPB 6	58.1	134	25.6
APB SEO, HEO & EO	22.1	50	25.2
All MPB grades	100.0		30.0
Totals	10,673	270	
Other Pay Bands	24,326	16	-
Region	ES figures %	Sample No.s	Estimated response rate %
London & SE	27.9	47	18.7
North West	12.0	45	41.7
Northern	5.6	14	27.6
Yorks. And Humber	8.7	23	29.5
East Mids. & Eastern	9.3	19	22.7
South West	7.5	16	23.6
West Midlands	8.6	31	40.2
Wales	5.5	19	38.5
Head Office	5.0	36	80.3
Scotland	10.0	40	44.5
Totals	34,999	290	32.2
Gender	ES figures %	Sample	Estimated response rate %
Male	28.3	123	48.2
Female	71.7	160	24.8
Totals	34,999	283	31.4

Source: Sample data (1.1.97) and Employment Service-wide figures (1.6.97).

Table A4
Comparison of Inland Revenue staff and the CEP 1996 sample

	Population	Sample
Pay Band	%	%
B	5.2	1.9
C1	3.0	5.4
C2	9.7	17.7
D	22.8	29.9
E1	34.1	26.7
E2	25.2	18.3
Executive office		
London	9.7	8.5
North	6.8	7.2
South Yorkshire	8.1	9.2
East	8.4	9.6
South East	8.9	10.0
South West	5.2	5.8
North West	14.0	14.2
Wales & Midlands	13.6	14.3
Scotland	8.9	7.8
Northern Ireland	2.1	1.6
AO Cumbernauld	1.9	1.5
AO Shipley	1.9	1.4
Other EO or Divisions	10.7	8.9
Gender		
Female	62.2	56.2
Male	37.8	43.8
Ethnicity		
'White'	94.1	95.7
'Non-white'	5.9	4.3
Status		
Full-time	83.5	85.1
Part-time	16.5	14.9

Sources: Inland Revenue figures for 1.10.96, except for ethnicity which relates to 1.1.97; sample.

Details of the 1991 Inland Revenue sample can be found in Marsden and Richardson 1992.

2. NHS Trust Hospitals

For the NHS trust hospitals we gained the following response rates by staff group, gender, contract, and employment status.

Table A5
NHS trust response rate by staff group

Staff Group	Individual scheme trust		Group scheme trust	
	Employment	Response rate %	Employment	Response rate %
Ancillary	217	19	686	10
Admin & Clerical	495	27	768	23
Maintenance	43	53	51	35
Nursing & Midwifery	1,195	25	2,043	20
Professional & Technical	292	35	492	25
Senior Managers	82	60	82	60
Totals	2,324	28	4,122	21

Table A6
NHS trust response rate by gender, contract and employment status

	Individual scheme trust		Group scheme trust	
	Response rate %		Response rate %	
Female	25		20	
Male	20		21	
Trust	30-32		22	
Whitley	22-26		19	
Part-time	21		16	
Full-time	32		25	
Total	28		21	

NHS: Definitions of Appraisal Gradings

Individual scheme:

- Excellent: this category is reserved for a small number of truly exceptional performers who have consistently and significantly excelled
- Superior: appropriate for members of staff who have consistently exceeded the requirements of the objectives and the job contribution profile
- Good: where a member of staff achieves all, or nearly all of the objectives, and contributes at least to the level required by the job contribution profile
- Average: for staff who achieve the majority of objectives and are close to matching the job contribution profile
- Poor: only be used if a member of staff consistently falls below the contribution required in the profile and has fallen short in the majority of objectives

Group scheme:

- Satisfactory to very good performance

- Unsatisfactory but having sufficient potential and making sufficient effort to become satisfactory
- Unsatisfactory and unacceptable performance. Continued performance at this level will result in dismissal

3. Head Teachers

A stratified sample was used for NAHT members, over-sampling members in London and in secondary schools. In addition, the NAHT sample was confined to heads. For SHA, a single stage random sample was selected of 2,000 members. The NAHT results in this paper have been weighted to adjust for the different sampling fractions used for different categories of members. The tables below give details of the response.

Although the response rate was 40%, and so might be considered to be on the low side, the sample has achieved a good cross-section of the membership. Most important, there does not appear to be any correlation between response and the receipt of salary enhancements. There is therefore no ground for believing that our sample has been biased either towards those who feel aggrieved because they have not benefited from the scheme, nor towards those who are enthusiastic because they have gained from it. The most likely reasons for the low response are the workloads of heads and deputies, and the fact that we were unable to send out reminders to those who had not returned questionnaires by the appropriate date.

In designing the questionnaire, we received considerable help from officials of both NAHT and SHA, and it was tested on groups of lay officials of both associations. It was sent out with an accompanying letter from the General Secretaries of the NAHT and SHA encouraging members to respond to the questionnaire, and pointing out that it was a piece of academic research carried out at the London School of Economics. It was sent out in February 1997, with a return date in March.

Table A7
Population and sample by gender

	NAHT		SHA	
	Membership	Sample	Membership	Sample
Female	50	46.7	32.6	31.5
Male	50	53.3	67.4	68.5
Total	100	100.0	100.0	100.0

Table A8
Population and sample by School status: SHA

SHA	Membership	Sample
LEA Maintained	59.9	60.9
Grant Maintained	15.2	17.8
Independent	13.5	9.2
Voluntary Aided/Controlled	11.4	10.3
Other	0.0	1.7
Total	100	100

Source: SHA

Table A9**Salary enhancements for population and sample**

Spine movements 1995/6 for heads and deputies remaining in post over the last three years. (All schools)

Number of enhancements	Sept 95-96	Jan 91-Sept 94	NAHT 1994-97	SHA 1994-97
<0	0.2	0.5	0.0	0.0
0	72.3	45.8	40.3	42.7
1	15.0	6.5	27.4	26.9
2	8.2	14.7	16.5	16.3
3	2.2	10.6	9.2	10.5
>3	2.2	22.0	6.6	3.6
All	100.0	100.0	100.0	100.0
% in same post	83	65	na	na

Source: STRB (1994, and 1997) and survey results

Table A10**Head teachers and Deputies by age: population and sample**

Age group	Primary heads	NAHT heads	Secondary heads & deputies	SHA heads & deputies
	%	%	%	%
<20	0.0	0.0	0.0	0.0
20-29	0.1	0.1	0.0	0.0
30-39	8.3	7.4	8.3	10.7
40-49	56.1	58.9	55.1	55.4
50-59	32.9	32.6	34.0	33.4
>60	2.9	1.1	2.4	0.5
Total	100.0	100.0	100.0	100.0

Source: DfEE Statistics of Education: Teachers, England and Wales 1996, Tab. 11, and survey results. DfEE data for March 1994.

Table A11**School Size Group: Population and Sample**

Group size	Primary & Nursery heads	NAHT heads in (sample %)	Secondary (heads & depts)	SHA heads & deputies (sample %)
1	32.2	18.5	1.6	0.4
2	51.9	54.3	6.4	0.9
3	14.9	20.2	8.1	4.5
4	0.5	2.0	19.4	22.6
5	0.0	3.8	48.4	53.0
6	0.0	1.1	16.1	18.6
All	100.0	100.0	100.0	100.0

Source: DfEE, Data base of Teacher Records, derived from salary data, including 'safeguarding' where appropriate. Provisional estimates for March 1995, and sample, Feb/March 1997. Excludes special schools (1S to 4S).¹

1. School size groups are defined primarily in order to calculate a school's teaching establishment. They are based on the number of pupils and their age. For example, each pupil under 14 years old counts as two 'units' whereas each one aged 17 and over counts as nine units. Schools that score up to 300 points are classified in Group 1, those with 301-700, to Group 2, and so on up to those with 4,601 or more units which are assigned to Group 6. Allowance is also made for pupils with special needs. (DfEE a) 1996).

Appendix 2

Summary of Questionnaire Replies

1. Inland Revenue 1996

Section 1 - We should like to ask your views about the principle of linking pay to performance

Please would you indicate whether you agree or disagree with the statements below :

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
1 The principle of relating pay to performance is a good one	13.0	24.3	4.6	52.2	5.9	1180
2 The idea of performance pay is fundamentally unfair	6.0	45.5	9.2	26.6	12.6	1172
3 Experience (i.e. years in the job) should count more towards determining pay levels	6.9	30.1	10.3	38.4	14.3	1181
4 Pay should take into account different duties carried out by staff in the same band/span	4.0	19.5	13.3	49.9	13.3	1179
5 Staff should be paid solely on the basis of individual performance	18.6	46.1	6.0	22.1	7.3	1183
6 Staff should be paid more if their skills are in short supply	5.6	34.4	15.7	37.6	6.8	1179
7 People should be paid according to national negotiated pay scales	1.8	11.6	10.1	49.6	26.8	1178
8 Pay should reflect the demands of the jobs and not the performance of individual job holders	3.3	25.5	13.5	41.9	15.9	1178
9 Annual pay rises should be used primarily to compensate for rises in the cost of living	3.3	20.7	9.2	48.3	18.6	1177

Section 2 - We would now like to ask your views of the Inland Revenues Performance Management (PM) scheme.

How, in your experience, has the Revenues Performance Management (PM) Scheme been working:

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
10 Performance Pay raises staff awareness of the objectives of PM	11.5	40.9	9.4	36.6	1.5	1176
11 PM makes staff less willing to assist colleagues experiencing work difficulties	2.3	27.3	7.3	43.2	19.9	1184
12 PM causes jealousies between staff	0.8	7.8	6.0	48.5	37.0	1183
13 PM is difficult to operate because the type of work done in the Inland Revenue is hard to measure	1.1	15.1	8.1	46.0	29.7	1186
14 PM has made managers set work targets more clearly	11.0	42.7	14.7	29.6	1.9	1181
15 PM has meant good work is recognised and rewarded at last	25.5	47.2	8.6	15.4	3.2	1180
16 Managers use the scheme to reward their favourites	4.0	17.3	21.3	36.8	20.6	1176
17 Women lose out under PM	14.1	38.8	32.9	11.3	2.9	1175
18 Staff are frequently denied the performance assessments they deserve because in practice there is a quota on exceeds and extra-loaded jobs	3.0	10.6	8.9	36.7	40.8	1186
19 PM has helped to undermine staff morale	0.3	10.1	8.5	44.2	36.9	1183
20 Members of ethnic minorities lose out under PM	13.1	27.8	48.5	8.3	2.3	1175

21	For all that is said about quality, PM is simply a device to get more work done	0.6	12.6	10.0	49.6	27.2	1185
22	PM is simply a device to cut the pay bill	0.5	12.2	12.7	43.7	30.9	1164
23	The individual performance targets are a suitable basis for determining performance pay	11.9	45.5	15.9	25.4	1.2	1168
24	Extra-loaded posts are used as a substitute for progression and promotion	1.1	10.0	11.6	50.6	26.6	1177
25	Performance Management discourages team working	2.1	20.8	10.2	42.8	24.1	1181
26	The link with pay makes staff question the fairness of PM	0.1	5.8	7.8	56.8	29.6	1177
27	PM is a good way to identify poor performance	13.6	46.7	11.9	25.4	2.4	1177
28	Staff in lower pay bands/spans do better now under PM	13.2	37.6	32.0	14.3	2.8	1178
29	Staff are aware of the Conciliation and Appeals procedure	8.5	31.6	17.1	41.0	1.9	1182
30	The appeal system ensures unfair assessments are corrected	12.6	36.7	38.4	11.6	0.8	1176
31	Staff suffering illness or personal distress lose out under PM	1.4	18.5	21.8	43.3	15.0	1183
32	It would be better to base PM on the performance of groups of staff than of individuals	13.4	36.9	21.8	21.8	6.0	1177
33	Non-pensionable one-off annual payments are an acceptable method for distributing pay beyond the band/span maximum	26.5	36.6	16.2	15.9	4.8	1182
34	It would be fair for management to award Performance Pay to someone who has been loyal and hardworking but has not performed well in their job.	9.8	45.3	19.3	23.1	2.5	1176
35	It would be fair for management to award an exceed just to prevent a competent officer from leaving	32.1	54.6	6.5	4.5	2.3	1179
36	Employees working part-time lose out under PM	6.7	29.3	37.4	20.3	6.3	1180
37	The amount of money an individual receives for an exceed or an extra-loaded should be substantially increased	9.2	25.0	20.0	29.7	16.0	1180

Section 3 We would like you to answer the following questions about your personal experiences with the Performance Management Scheme.

		Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
38	I do not understand how PM operates in the Revenue	15.5	62.8	7.9	11.4	2.5	1178
39	PM has made me more aware of the targets of the Revenue	8.4	39.6	12.6	37.4	2.0	1178
40	PM has given me an incentive to work beyond the requirements of the job	27.1	50.3	5.3	15.4	2.1	1179
41	PM has reduced my wish to co-operate with management	7.3	43.9	18.6	23.4	6.9	1179
42	PM has made me more aware of the importance of being sensitive to my colleagues	9.2	52.0	21.1	16.8	0.9	1178
43	PM has caused me to work longer hours	10.5	56.0	8.4	20.2	5.0	1181
44	PM has given me the incentive to be more effective in my dealings with the public	15.8	53.3	16.3	13.5	1.1	1181

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
45 PM has given me greater incentive to get my work priorities right	14.3	49.4	12.7	22.2	1.4	1184
46 PM has made me want to show more initiative in my job	16.1	54.0	10.4	17.7	1.9	1176
47 PM has caused greater stress in my job	3.9	21.9	10.5	39.9	23.7	1176
48 PM has had no effect on the quality of my work because it was already at the appropriate level	1.7	6.9	7.7	54.5	29.3	1178
49 Managers know enough about the jobs of their staff to identify poor performance	17.1	26.8	7.3	37.9	10.9	1184

Section 4. We should like to ask you some questions about the Performance Agreement relating to your most recent annual pay award

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
50 I was satisfied with the 1996 pay award	17.8	35.3	6.2	38.1	2.5	1177
51 Throughout the last year, I had sufficient opportunity to discuss my performance with my line manager	11.3	26.9	5.3	52.1	4.5	1187
52 I have been able to change my objectives when my work allocation has altered	8.0	21.3	21.4	46.6	2.8	1184
53 I understand why I was awarded my most recent performance assessment	4.5	9.5	6.9	71.3	7.8	1183
54 My most recent performance assessment was a fair reflection of my performance	7.2	21.2	7.8	53.5	10.3	1184
55 I know what I have to do to get an Exceed in the future	14.5	34.9	8.4	35.6	6.6	1185
56 I am personally capable of doing what is necessary to get an Exceed in the future	6.0	15.4	16.3	44.2	18.1	1185
57 The personal satisfaction I derive from my work is sufficient incentive for me to do what is needed to get an Exceed	19.4	35.6	12.9	25.6	6.5	1183
58 Even if my performance is good enough, I doubt I will receive an Exceed	4.5	23.1	9.0	34.9	28.4	1185
59 The nature of my present job makes it very hard for me to exceed the objective in my Performance Agreement	1.6	24.7	9.3	43.3	21.1	1184
60 It was difficult to achieve an Exceed because my Performance Agreement was altered during the year.	5.1	50.9	30.1	10.4	3.5	1183
61 Staff feel pressured into accepting performance objectives set by management without discussion.	2.0	23.0	11.7	44.9	18.4	1186
62 For all that is said about individual performance objectives, in reality everyone is given the same targets.	3.8	21.9	11.0	44.1	19.1	1186
63 In agreeing objectives, I am more concerned to avoid a Not Met than to aim for an Exceed	5.0	28.9	10.2	39.7	16.1	1183
64 The staff who gain Exceeds are those who are cleverest at negotiating their Performance Agreements	7.0	33.5	16.1	26.9	16.4	1185

Section 5 If there are any further points you would like to make about the Performance Management scheme please do so in the space provided.

Section 6 - We should like to ask what you value in your job, and working for the Inland Revenue

The following issues are important to me in my current job :

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
65 Job Security	1.4	5.8	3.3	49.4	40.1	1182
66 My level of income	2.1	8.7	4.2	53.8	31.2	1184
67 Flexible working time	1.3	4.6	5.5	50.3	38.2	1177
68 Contributing to an important public service	2.6	16.6	24.7	45.5	10.7	1178
69 Opportunity to exercise responsibility	1.6	12.7	20.7	52.8	12.1	1177
70 Varied and interesting work	5.0	19.8	11.2	48.3	15.6	1179
71 Career opportunities	21.0	30.7	14.1	22.1	12.2	1168
72 Leave entitlement	1.0	7.2	12.6	60.6	18.6	1172

Section 7. Now we should like to know something about your general attitudes, first to the office in which you work and then to the Inland Revenue as a whole.

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
73 Working as a member of a team	6.4	19.2	22.5	43.0	8.8	1149
74 I feel 'part of the family' in my current office	7.3	25.0	11.7	49.0	6.9	1176
75 I feel a strong sense of commitment to my current office	6.1	24.2	16.4	43.9	9.4	1180
76 I feel 'part of the family' in the Inland Revenue	18.8	46.4	18.6	14.7	1.4	1176
77 I would be very happy to spend the rest of my career in the Inland Revenue	10.9	18.4	21.4	41.1	8.3	1174
78 I do not feel emotionally attached to the Inland Revenue	3.8	21.2	16.7	42.6	15.6	1171
79 I think that I could easily become as attached to another organisation as the Inland Revenue	1.8	12.9	20.9	52.3	12.2	1175
80 I feel a strong sense of commitment to the Inland Revenue	10.8	31.7	22.5	30.3	4.8	1175
81 I always show goodwill to complete an urgent task	0.8	2.9	3.4	64.3	28.6	1180
82 I keep myself well-informed and undertake training when I think this may benefit the Revenue	1.0	10.9	16.0	59.1	13.1	1179
83 Whenever changes are made in this organisation employees usually lose out in the end	1.2	11.9	13.9	47.3	25.6	1180
84 Working in the Inland Revenue means a great deal to me	10.3	28.4	32.0	25.4	3.8	1174

		Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
85	My performance is always well above that of other colleagues doing similar work	1.2	24.4	38.2	28.9	7.4	1174
86	I have confidence and trust in my fellow staff	3.8	20.4	22.5	48.5	4.8	1174

Section 8 Finally we would like some personal information. We would stress here again that this is purely for research purposes. All replies will remain confidential and anonymous

NOTE: Biographical data are unweighted

87	Are you	Male	43.8	Female	56.2		1170	
88	Do you work	Full Time	85.1	Part Time	14.9		1171	
89	What is your age	<21	21-30	31-40	41-50	51-60		
		0.2	12.4	35.7	38.3	13.6	1104	
90	Do you consider yourself a member of an ethnic minority ?	No	95.7	Yes	4.3		1161	
91	To which staff group do you belong?	E2	E1	D	C2	C1	B	
		18.3	26.7	29.9	17.1	5.4	1.9	1134
92	How long have you worked in the Inland Revenue ?	<1	1-2	3-5	6-10	>10		
		0.2	0.3	6.3	19.4	78.3	1170	
93	Which Executive Office do you work in ?	Northern Ireland		1.6	Scotland		7.8	
		AO Cumbernauld		1.5	North		7.2	
		AO Shipley		1.4	South Yorkshire		9.2	
		North West		14.2	Wales & Midlands		14.3	
		East		9.6	South West		5.8	
		South East		10.0	London		8.5	
		Other EO or Divisions		8.9				
				Total replies			1167	
94	How long have you worked in your current office ?	<1	1-2	3-5	6-10	>10		
		10.2	10.9	23.6	29.4	26.0	1163	
95	What was your latest Performance Assessment ?	exceed	31.7					
		succeed	67.3					
		not met	1.1				1140	
96	Were you in an extra-loaded job for your last Assessment ?	No	77.8	Yes	22.2		1173	
97	Were you able to agree your last Performance Agreement with your manager ?	No	7.8	Yes	92.2		1176	
98	Did you appeal against your last Performance Agreement ?	No	96.1	Yes	3.9		1168	
99	If yes, where was the appeal settled ?	Conciliation	59.5	Appeal Board	40.5		37	
100	Are you at the top of your pay scale ?	No	48.0	Yes	52.0		1160	
101	Was your last job with a private sector employer ?	No	58.4	Yes	41.6		1088	

Additional Section for Managers assessing staff performance.

Section 9 - If you have had to assess staff we should like to ask you some additional questions. Please circle the number that best reflects your opinion.

	Strongly disagree %	Disagree %	No View %	Agree %	Strongly agree %	Total replies
102 PM has made staff more aware of the Inland Revenues targets	4.8	41.8	8.2	42.5	3.1	292
103 The existence of PM has caused many of the staff to work beyond the requirements of their job	4.8	50.7	7.8	33.7	3.4	294
104 PM has reduced the willingness of many of the staff to co-operate with management	1.0	35.7	18.6	37.8	7.2	291
105 PM has led to many of the staff giving sustained high performance at work	8.9	58.9	15.1	16.1	1.4	292
106 PM has helped to increase the quality of the work of many of the staff	14.0	58.2	11.0	16.4	0.3	292
107 PM has led to an increase in the quantity of work many of the staff do	5.1	46.1	7.2	37.5	4.1	293
108 PM has made many of the staff more committed to their work	14.6	58.2	13.9	12.9	0.0	294
109 PM has made it easier for me to deal with poor performance	15.8	44.9	14.4	23.6	1.4	292
110 The system of Performance Management has led me to take more work home	13.4	39.5	13.7	25.8	7.9	291
111 PM is a bad idea because not enough staff have sufficient control over their work to change their ways	1.7	24.5	17.3	39.8	16.7	294

Thank you for your co-operation. We would now like you to seal the completed Questionnaire in the envelope provided and return it to us.

2. Employment Service

Section 1 - We should like to ask your views about the principle of linking pay to performance (for each of the following statements, please circle the number that best reflects your opinion).

Please would you indicate whether you agree or disagree with the statements below:

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
1	The principle of relating pay to performance is a good one	7.70	18.67	1.40	64.27	7.96	292
2	The idea of performance pay is fundamentally unfair	9.79	60.85	6.21	16.30	6.85	291
3	Experience (i.e. years in the job) should count more towards determining pay levels	8.44	42.04	13.27	28.53	7.72	292
4	Pay should take into account different duties carried out by staff in the same band	2.35	21.94	7.83	51.78	16.11	291
5	Individuals should be paid solely on the basis of individual performance	22.45	53.55	7.02	13.09	3.89	291
6	Staff should be paid more if their skills are in short supply	4.93	38.02	18.25	34.39	4.41	292
7	Staff should be paid according to national negotiated pay scales	0.83	11.62	9.02	46.04	32.48	290
8	Pay should reflect the demands of the jobs and not the performance of individual job holders	1.21	24.98	12.04	42.93	18.84	291
9	Annual pay rises should be used primarily to compensate for rises in the cost of living	1.72	16.09	9.29	44.08	28.82	292
10	It is appropriate for staff to be financially rewarded when the Agency does well in achieving its goals	0.92	7.95	4.18	57.13	29.82	291

Section 2 - We would now like to ask your views of the Employment Service Agency's Performance Pay scheme. Please circle the number that best reflects your opinion.

How, in your experience, has the Agency's Performance Pay Scheme been working:

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
11	Performance Pay raises staff awareness of Agency objectives (APA Targets)	9.33	37.25	3.85	45.02	4.55	292
12	It makes staff less willing to assist colleagues experiencing work difficulties	2.64	31.98	12.98	41.11	11.29	292
13	Performance Pay causes jealousies between staff	0.50	13.84	7.75	50.34	27.58	288
14	It is difficult to operate because the type of work done in the Employment Service is hard to measure	1.67	17.47	8.50	45.78	26.57	291
15	It has made managers set work targets more clearly	6.14	38.61	5.40	47.13	2.71	292
16	It has meant good work is recognised and rewarded at last	19.43	49.62	6.99	20.97	2.98	291
17	Managers use the scheme to reward their favourites	4.56	27.33	26.71	29.40	12.00	291
18	Women lose out under Performance Pay	18.45	46.04	27.40	4.58	3.53	292

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		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
19	Staff are frequently denied the Box Marking they deserve because there is a quota system of Box Markings	1.36	14.15	10.00	41.82	32.66	290
20	Performance Pay has helped to undermine staff morale	0.89	12.85	8.63	50.14	27.49	290
21	Members of ethnic minorities lose out under Performance Pay	12.68	34.08	48.85	2.20	2.18	291
22	For all that is said about quality, the Agency's PRP scheme is simply a device to get more work done	1.06	20.10	14.09	46.20	18.55	291
23	It is simply a device to cut the pay bill	0.29	11.77	13.94	45.50	28.60	291
24	It makes progression of one's salary hard to predict	0.61	6.63	5.24	51.17	36.35	289
25	The individual performance targets are a suitable basis for determining performance pay	18.02	48.81	9.80	20.81	2.56	291
26	The Agency's PRP Scheme encourages team working	23.80	52.85	9.94	10.76	2.65	290
27	Performance Pay has made staff less willing to tolerate absence by colleagues in their section	3.12	28.20	23.90	36.43	8.35	291
28	The Agency's PRP scheme is a good way to identify poor performance	11.63	52.11	10.73	22.35	3.18	291
29	The link with pay makes staff question the fairness of performance appraisals	0.55	9.90	11.66	60.70	17.19	291
30	Members in lower pay bands do better now under Performance Pay	11.70	33.69	48.50	5.30	0.81	290
31	The appeal system ensures unfair appraisals are corrected	11.92	33.70	41.38	11.86	1.13	291
32	It would be better to base PM on the performance of groups of staff than of individuals	5.68	42.73	15.97	25.59	10.03	291
33	Group-based PRP is a bad idea because there are always some colleagues who will not pull their weight	1.27	22.32	15.33	47.15	13.94	291
34	Non-consolidated pay an acceptable method for distributing performance pay	32.56	34.43	23.60	6.12	3.29	289
35	It would be fair for management to award Performance Pay to someone who has been loyal and hardworking but has not performed well in their job.	8.15	40.09	19.98	28.07	3.70	290
36	It would be fair for management to award a Box A just to prevent a competent officer from leaving	40.17	50.91	4.71	3.41	0.81	290
37	Part-time employees lose out under PM	10.86	34.53	36.48	12.77	5.36	291
38	The amount of money an individual receives for a Box A should be substantially increased	7.55	37.16	20.57	21.53	13.20	291

Section 3 We would like you to answer the following questions about your personal experiences with the Performance Pay Scheme. Please circle the number that best reflects your opinion

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
39	I do not understand how the Agency's PRP scheme operates	10.75	57.28	9.14	19.81	3.02	289
40	Performance Pay has made me more aware of the targets of the Agency	8.65	47.72	4.61	35.24	3.78	290
41	Performance Pay has given me an incentive to work beyond the requirements of the job	24.45	60.43	2.93	10.72	1.46	291
42	It has reduced my wish to co-operate with management	8.24	50.26	15.26	18.37	7.87	291
43	Performance Pay has made me more aware of the importance of being sensitive to my colleagues	10.91	55.34	22.43	10.75	0.57	291
44	Performance Pay has caused me to work longer hours	11.62	60.36	9.33	13.01	5.69	290
45	It has given me the incentive to be more effective in my dealings with the public	20.40	59.51	11.51	7.61	0.97	289
46	It has given me an incentive to get my work priorities right	14.26	53.72	10.73	19.12	2.18	291
47	It has made me want to show more initiative in my job	16.97	55.98	7.05	19.10	0.89	290
48	Performance Pay has caused greater stress in my job	3.36	28.48	11.16	38.91	18.08	291
49	It has led fellow staff to pressure me to work harder	9.89	49.84	14.25	18.36	7.65	291
50	Performance Pay has had no effect on the quality of my work because it was already at the appropriate standard	0.98	7.45	8.87	48.87	33.84	291
51	Managers know enough about the jobs of their staff to identify poor performance	13.25	31.67	7.26	37.23	10.59	291

Section 4. Now we would like some reactions to your latest Performance Assessment and Box

Marking (as before, please circle the number that best reflects your opinion).

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
52	Throughout the last year, I had sufficient opportunity to discuss my performance with my line manager	10.64	25.44	2.49	53.74	7.68	290
53	I understand why I was awarded my most recent Box Marking	6.62	14.72	6.02	66.27	6.37	290
54	My most recent Box Marking was a fair reflection of my performance	10.54	20.59	4.09	59.47	5.31	290
55	I know what I have to do to get a Box A or B in the future	15.52	31.14	5.16	43.45	4.73	289
56	I am personally capable of doing what is necessary to get a Box A or B in the future	2.66	10.66	9.73	54.47	22.48	290

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
57	The personal satisfaction I derive from my work is sufficient incentive for me to do what is needed to get a Box A or B	11.49	27.08	11.87	35.77	13.79	289
58	Even if my performance is good enough , I doubt I will receive the Box Marking I deserve	3.64	28.83	13.10	32.86	21.56	290
59	The nature of my present job makes it very hard for me to meet or exceed objectives	1.97	31.64	7.74	40.63	18.02	289
60	It is difficult for me to get a higher Box Marking due to the many other organisational changes in the Agency	1.02	18.61	13.48	47.34	19.56	287
61	Staff feel pressured into accepting performance objectives set by management without discussion.	1.46	25.43	9.72	42.54	20.85	289
62	My current pay banding has prevented me from being awarded a higher Box Marking	1.70	41.24	33.39	15.23	8.44	288

Section 5 If there are any further points you would like to make about the Performance Pay-scheme please do so in the space provided.

Section 6 - We should like to ask what you value in your job, and working for the Employment Service (ES) (for each of the following statements, please circle the number that best reflects your opinion).

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
The following issues are important to me in my current job :							
63	Job Security	2.34	6.87	3.27	48.32	39.20	290
64	My level of income	1.33	3.99	0.87	54.53	39.28	291
65	Flexible working time	1.19	9.64	8.20	58.88	22.09	291
66	Contributing to an important public service	2.25	13.41	20.55	47.99	15.80	289
67	Opportunity to exercise responsibility	1.76	10.94	11.81	58.73	16.76	291
68	Varied and interesting work	4.09	12.74	8.94	54.97	19.26	290
69	Career opportunities	13.51	32.53	6.59	32.30	15.07	289
70	Working as a member of a team	1.77	13.31	16.97	56.42	11.53	289
71	A safe working environment	8.87	14.85	12.16	42.40	21.72	277

Section 7. Now we should like to know something about your general attitudes, first to the office in which you work and then to the Agency as a whole. Please circle the number that best reflects your opinion.

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
72	I feel 'part of the family' in my current office	6.98	22.25	12.24	49.19	9.35	290
73	I feel a strong sense of commitment to my current office	7.70	22.15	10.65	46.69	12.81	290
74	I feel 'part of the family' in the Employment Service	23.01	50.43	13.71	11.64	1.22	288
75	I would be very happy to spend the rest of my career in the ES	19.17	21.61	18.27	32.97	7.98	288
76	I do not feel emotionally attached to the ES	2.30	24.52	14.30	39.20	19.68	287
77	I think that I could easily become as attached to another organisation as this Agency	1.20	8.68	17.65	53.59	18.87	289
78	I feel a strong sense of commitment to the ES	18.28	30.58	15.64	31.25	4.25	286
79	I always show goodwill to complete an urgent task	0.40	4.78	2.87	64.11	27.84	290
80	I keep myself well-informed and undertake training when I think this may benefit the ES	1.56	9.79	10.62	64.77	13.26	290
81	If the opportunity arose, I would take a job elsewhere or take early retirement/severance terms	1.59	14.56	13.04	32.67	38.13	288
82	Whenever changes are made in this Agency employees usually lose out in the end	0.40	9.11	10.77	45.70	34.01	289
83	Working in the Agency means a great deal to me	16.48	36.81	26.80	17.81	2.09	289
84	My performance is always well above that of other colleagues doing similar work	0.81	27.64	34.93	29.77	6.86	289
85	I have confidence and trust in my colleagues	3.16	22.18	18.48	51.78	4.40	290

Section 8 Finally we would like some personal information We would stress here again that this is purely for research purposes. All replies will remain confidential and anonymous.
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This Section unweighted

						Total Replies	
86	Are you	Male	43.46	Female	56.54	283	
87	Do you work	Full Time	90.66	Part Time	9.34	289	
88	What is your age	<21	21-30	31-40	41-50	> 51	271
		0.00	5.17	46.49	34.32	14.02	
89	Do you consider yourself a member of an ethnic minority ?	No	96.53	Yes	3.47	288	
90	To which pay band do you belong ? (<i>Please circle</i>)	MPB1	2.80	MPB7	1.40	286	
		MPB2	1.75	PB8	0.35		
		MPB3	10.49	PB9	0.35		
		MPB4	8.39	APB SEO	1.75		
		MPB5	6.64	APB HEO	3.50		
		MPB6	46.85	APB EO	12.24		
		Other	3.50				
91	How long have you worked in the Civil Service	<1	1-2	3-5	6-10	> 10	286
		0.00	0.35	1.40	6.29	91.96	
92	How long have you worked in your current office	<1	1-2	3-5	6-10	> 10	287
		17.77	17.77	38.68	18.82	6.97	
93	In which region do you work ? (<i>Please circle</i>)	East Midlands & Eastern Counties	6.55	North West	15.52	290	
		West Midlands	10.69	Northern	4.83		
		LASER	16.21	Yorks. & Humberside	7.93		
		South West	5.52	Scotland	13.79		
		Wales	6.55	Head office	12.41		
94	What was your last Box Marking ? (<i>Please circle</i>)	Box A	11.15	Box C	9.41	287	
		Box B	79.44	Box D	0.00		
95	Are you at the top of your pay scale ?	No	43.21	Yes	56.79	287	
96	Was your last job with a private sector employer ?	No	65.83	Yes	34.17	278	

Additional Section for Managers assessing staff performance.
Section 9 - If you have had to assess staff we should like to ask you some additional questions.

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
97	Performance pay has made staff more aware of the Agencys targets	6.42	41.40	4.25	43.29	4.65	211
98	The existence of Performance Pay has caused many staff to work beyond the requirements of their job	11.09	61.20	8.98	17.34	1.39	211
99	It has reduced the willingness of many of the staff to co-operate with management	2.07	38.44	20.99	35.31	3.18	211
100	It has led to many of the staff giving sustained high performance at work	10.20	67.65	12.53	9.26	0.36	211
101	It has helped to increase the quality of the work of many of the staff	10.34	61.56	10.05	17.55	0.49	211
102	It has led to an increase in the quantity of work many of the staff do	5.89	52.60	13.58	24.67	3.25	209
103	It has made many of the staff more committed to their work	11.40	65.24	13.18	10.19	0.00	210
104	It has made it easier for me to deal with poor performance	10.57	53.78	10.67	23.65	1.33	211
105	The system of Performance Pay has led me to take more work home	5.64	52.21	8.33	25.19	8.64	210
106	Performance Pay is a bad idea because not enough staff have sufficient control over their work to change their ways	2.40	20.64	13.20	34.42	29.34	211

3. NHS Trust Hospital A: Individual PRP scheme

Section 1 - We should like to ask what you like about your job, and working in your hospital

(for each of the following statements, please circle the number that best reflects your opinion).

I originally chose a career in the health service because:

	Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
1 it gave me the opportunity to help people	0.57	2.16	9.86	56.27	31.14	663
2 I am interested in health care	0.65	1.69	9.99	57.81	29.86	660
3 it offered good pay opportunities	26.45	48.15	16.37	9.03	0	650
4 it offered job security	3.13	16.59	19.76	51.63	8.88	656
5 it offered me the chance to work part time	16.32	13.99	34.55	26.77	8.37	647
6 it offered me the chance to work shifts	18.87	16.53	40.97	18.46	5.17	637
7 the NHS provides an important public service	1.67	2.05	11.87	48.50	35.92	645
8 I needed a job at the time	19.16	18.08	18.47	28.13	16.16	625

Section 2 - We should like to ask you about the aspects of your current work that you value most.

Again, for each of the following statements please circle the number that best reflects your opinion.

The following issues are important to me in my job:

	Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
9 Job Security	2.22	7.52	8.39	51.43	30.44	672
10 My level of income	3.87	10.67	7.89	48.15	29.42	668
11 Interest in health care	1.12	1.38	8.96	62.74	25.80	669
12 Flexible working time	3.36	12.31	26.06	40.84	17.42	657
13 Opportunity to exercise responsibility	0.94	3.72	13.82	55.94	25.58	671
14 Opportunity to work on my own initiative	0.62	3.20	6.77	55.02	34.39	673
15 Varied and interesting work	0.93	3.80	4.84	51.12	39.31	677
16 Opportunities for further training	3.53	10.33	12.87	49.75	23.52	668
17 Relationship with colleagues and manager(s)	2.15	2.94	8.72	59.38	26.80	675
18 Team work and co-operation	1.63	4.03	8.19	51.86	34.30	657
19 Staff Benefits (e.g. childcare provision)	10.02	14.59	48.71	19.83	6.85	613

Section 3 - Please evaluate your income and performance in comparison to other employees*(for each of the following statements, please circle the number that best reflects your opinion).*

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
20	In comparison with other groups of employees in the Trust my pay is fair	13.73	31.00	17.21	35.82	2.24	676
21	I am suitably paid in relation to my qualifications within the Trust	14.82	41.73	9.62	31.35	2.48	675
22	My performance is always well above that of other colleagues doing similar work.	1.36	16.79	42.49	28.87	10.49	672
23	The 1996 pay award was fair to your staff group	15.19	30.24	18.72	32.53	3.31	676

Section 4 - We should now like to ask your views about the principle of linking pay to performance*(for each of the following statements, please circle the number that best reflects your opinion).***Please would you indicate whether you agree or disagree with the statements below:**

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
24	Experience (i.e. years in the job) should count more towards determining pay levels	2.52	24.39	5.86	46.85	20.38	681
25	Pay should take into account different duties carried out by staff in the same grade	1.13	9.91	8.38	62.09	18.48	685
26	Employees with additional work-related qualifications should receive additional pay	1.38	13.38	11.77	54.16	19.31	683
27	Individuals should be paid solely on the basis of individual performance	8.43	37.70	13.28	31.50	9.09	679
28	Excellent performance should be rewarded by additional bonuses in pay	3.13	7.85	8.32	48.14	32.56	683
29	Irrespective of work-related qualifications and experience, staff should be paid more if their skills are in short supply	3.16	32.61	21.08	34.52	8.63	676
30	People should be paid according to national pay scales	4.12	26.98	21.03	37.02	10.84	666
31	Annual pay rises should be used primarily to compensate for rises in the cost of living	3.58	26.59	11.81	45.17	12.85	677
32	The principle of relating pay to performance is a good one	9.57	16.57	11.86	50.67	11.32	674
33	The idea of performance pay is fundamentally unfair	10.74	47.14	14.66	17.54	9.92	671
34	It is appropriate for staff to be financially rewarded when the Trust does well in achieving its goals	1.43	5.37	8.80	58.28	26.12	684

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
35	If the Trust were in financial difficulty, it would be reasonable for pay increases to be restricted if the alternative were job losses	7.05	21.43	10.47	52.51	8.54	677
36	Staff should not receive performance increments when jobs are having to be cut	9.23	37.27	14.56	33.08	5.86	676

Section 5 - Whether or not you are covered by the Trust's Performance Pay Scheme , we would now like to ask your view of its effects. Please circle the number that best reflects your opinion.

How, in your experience, has the Trust's Performance Pay Scheme been working:

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
37	It raises staff awareness of Trust objectives	5.41	30.89	16.87	43.90	2.94	677
38	It makes staff less willing to assist colleagues experiencing work difficulties	7.33	49.62	17.42	20.16	5.47	670
39	It causes jealousies between staff	2.91	22.07	13.77	41.49	19.77	678
40	It is problematic because the type of work done in the NHS is hard to measure	1.20	13.18	9.91	47.92	27.78	673
41	It has made managers set work targets more clearly	6.65	23.24	17.03	47.94	5.14	671
42	It has meant good work is recognised and rewarded at last	11.59	29.53	12.03	37.71	9.14	668
43	Managers use the scheme to reward their favourites	3.67	27.38	27.61	26.00	15.34	675
44	It has helped to undermine staff morale	4.10	21.94	22.40	31.65	19.91	673
45	For all that is said about quality, the Trust's scheme is simply a device to get more work done.	2.29	23.34	19.28	36.23	18.85	676
46	The Trust's scheme is simply a device to cut the pay bill	3.70	28.14	31.17	23.78	13.21	672
47	The individual performance targets are a suitable basis for determining performance pay	7.99	30.63	21.84	36.79	2.76	673
48	The aims of Trust's scheme were clearly communicated prior to implementation	9.57	25.15	27.85	34.74	2.69	670
49	The Trust's Performance Pay scheme encourages team working	14.81	49.04	17.71	16.20	2.23	674
50	The Trust's Performance pay scheme has reduced my willingness to co-operate with management	10.86	45.09	25.14	12.73	6.18	675
51	The Trust's scheme is a good way to identify poor performance	9.13	26.16	11.57	47.11	6.03	672
52	The Trust's scheme makes managers more willing to deal with poor performance	9.53	31.73	20.34	35.24	3.15	677

NHS Hospital Trust A: INDIVIDUAL PRP SCHEME

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
53	It would be better to base Performance Pay on the performance of groups of staff than of individuals	10.47	42.98	15.67	23.89	6.98	674
54	Performance Pay does not sufficiently reward individuals who perform better than others in the Trust	1.56	21.92	21.65	41.89	12.98	678
55	The current level of the Performance Pay is simply a means to encourage staff onto Trust contracts	1.59	20.41	24.00	37.14	16.85	675
56	It would be fair for management to award Performance Pay to someone who has been loyal and hardworking but has not performed well in their job.	7.14	47.12	23.24	19.39	3.11	666
57	Part-time staff lose out under Performance Pay	4.09	33.55	41.90	15.22	5.25	673
58	The amount of money an individual gets from Performance Pay should be substantially increased	1.77	21.46	31.91	33.29	11.56	674
59	It is right to award some performance pay as an unconsolidated lump sum bonus	4.69	16.40	26.39	44.97	7.54	673
60	Employees from ethnic minorities lose out under Performance Pay	21.28	37.66	34.12	4.83	2.12	681

Section 6 If you are currently on a TRUST contract we would like you to answer the following questions about your personal experiences with the Performance Pay Scheme. Please circle the number that best reflects your opinion. If you are on a WHITLEY contract please go directly to Section 7 below.

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
61	The Trust's Performance Pay Scheme has made me more aware of the targets of the Trust.	5.98	35.48	15.54	39.20	3.80	481
62	I was already aware of the targets of the Trust	2.20	28.80	19.71	43.38	5.91	478
63	Performance Pay has made me identify with the goals of the Trust	5.36	36.50	24.14	31.51	2.49	480
64	Performance Pay has made me feel more positive about working for the Trust	10.48	39.45	20.18	26.81	3.08	483
65	Performance Pay has made me feel that I am part of a successful organisation	11.26	40.39	20.62	25.42	2.31	479
66	Performance Pay has given me an incentive to work beyond the requirements of the job	11.34	45.41	11.28	27.67	4.31	483
67	Performance Pay now gives proper recognition to occupational skills	9.87	35.65	18.80	32.53	3.16	482
68	Performance Pay has given me an incentive to be more sensitive to the needs of patients	20.91	44.20	23.37	10.87	0.65	481
69	Performance Pay has made me more aware of the importance of being sensitive to my colleagues	18.23	47.78	17.84	15.04	1.10	483

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
70	Performance Pay has given me the incentive to get my work priorities right	14.81	41.95	12.77	29.01	1.46	483
71	Performance Pay has made me want to show more initiative in my job	13.91	38.66	9.83	34.89	2.70	483
72	Performance Pay has made me more effective in my dealings with other colleagues	14.58	48.76	18.02	17.36	1.28	483
73	My performance award under the scheme has been a fair reflection of my performance	14.10	24.22	17.84	39.74	4.09	482
74	My managers can be trusted to identify poor performance	10.36	28.40	18.43	39.79	3.02	480
75	Managers know enough about the jobs of their staff to identify poor performance	14.37	26.67	14.39	41.48	3.09	480

Section 7. Whether you are on a Trust or a Whitley contract, we should like some reactions to your latest Individual Performance and Development Review (IPDR) (as before, please circle the number that best reflects your opinion).

			Yes	No		Total	
76	Have you had an IPDR in the last year?		91.55	8.45		607	
		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
77	In the last year, I had sufficient opportunity to discuss and clarify my job contribution profile with my manager	9.51	22.03	6.62	55.30	6.54	652
78	In the last year, I had sufficient opportunity to identify objectives with my manager	7.36	19.29	7.80	58.82	6.73	650
79	In the last year, I have had sufficient opportunity to discuss my training and personal development requirements with my manager	9.43	22.75	8.20	53.74	5.88	650
80	In the last year, I have had sufficient opportunity to discuss my performance with my manager	9.11	23.03	9.21	53.05	5.59	644
81	I had sufficient time to prepare for my IPDR meetings	9.23	18.38	9.56	56.84	6.00	648
82	My manager was well prepared in my IPDR meetings	10.23	21.38	13.32	48.55	6.52	646
83	My IPDR meetings were useful	12.11	23.95	14.25	44.49	5.19	646
84	I understand why I was awarded my most recent IPDR performance rating	8.87	12.32	12.88	58.23	7.71	647
85	My most recent performance rating was a fair reflection of my performance	12.56	20.33	11.83	49.30	5.98	645
86	I know what I have to do to get a good / superior/ excellent performance rating in the future	11.46	20.39	13.28	47.34	7.53	649

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
87	I am personally capable of doing what is necessary to get a good/superior/excellent performance rating in the future	1.97	5.12	8.44	59.19	25.29	654
88	The personal satisfaction I derive from my work is sufficient incentive for me to do what is needed to get a good/superior/excellent performance rating	3.51	12.04	9.58	54.48	20.39	657
89	Even if my performance is good enough to merit a good/superior/excellent/ performance rating, I doubt that I will be given one	6.39	33.60	13.73	22.96	23.32	652
90	The nature of my present job makes it very hard for me to get a good/superior/excellent performance rating	7.00	42.90	14.66	22.67	12.76	651
91	Staff are frequently denied the performance rating they deserve because there is a quota system of performance ratings	4.72	16.04	22.73	29.76	26.74	651
92	The grandparent system ensures a fair means to appeal against a poor performance rating	12.90	21.34	28.94	32.74	4.08	653

Section 8 If there are any further points you would like to make please do so in the space provided. We would be particularly interested to hear your views on the following issues:

- why you decided to move to a Trust contract or remain on Whitley terms and conditions;**
- what you find good about or difficult with the IPDR Process;**
- The contribution the IPDR makes in achieving the objectives of your department.**

Section 9. Now we should like to know something about your general attitudes to your Trust Hospital.

Please circle the number that best reflects your opinion.

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
93	I feel 'part of the family' in this Trust	11.07	33.83	24.66	27.62	2.82	671
94	I would be very happy to spend the rest of my career in this hospital	10.93	24.30	21.54	36.80	6.42	668
95	I do not feel 'emotionally attached' to the hospital	5.86	32.64	18.57	34.65	8.28	667
96	I think that I could easily become as attached to another organisation as this hospital	3.04	14.30	25.74	48.95	7.98	668
97	I feel a strong sense of commitment to the hospital	5.05	20.74	20.10	46.11	8.00	672
98	Whenever changes are made in this hospital employees usually lose out in the end	2.64	20.39	29.19	32.55	15.23	672
99	Working in the Trust means a great deal to me	8.53	25.08	37.41	24.47	4.51	665
100	I have confidence and trust in my fellow staff	4.48	12.36	17.35	54.36	11.45	673

Section 10. Finally we would like some personal information. We would stress here again that this is purely for research purposes. All replies will remain confidential and anonymous.

					Total Replies	
101	Are you	Male	13.99	Female	86.01	678
102	Do you work	Full Time	67.91	Part Time	32.09	678
103	What is your age	<21			0.31	636
		21-30			21.38	
		31-40			30.03	
		41-50			31.29	
		51-60			14.94	
		>60			2.04	
104	To which staff group do you belong?	Ancillary			6.24	657
		Admin. and Clerical			20.24	
		Maintenance			3.50	
		Nursing & Midwifery			46.42	
		Professional, Tech. & Scientific			16.13	
		Senior Managers			7.46	
105	How long have you worked this group (years)	<1			11.72	657
		1-2			9.74	
		3-5			21.46	
		6-10			26.18	
		> 10			30.90	
106	How long have you worked in the NHS	<1			6.54	673
		1-2			6.24	
		3-5			15.01	
		6-10			23.18	
		> 10			49.03	
107	How long have you worked at Trust B (years - including prior to Trust status)	<5			11.30	664
		5-9			9.94	
		10-14			23.49	
		15-19			31.33	
		20-24			23.95	
108	On which type of contract are you currently employed ?	Trust	73.32	Whitley	26.68	674
	What was your latest Performance Review rating ?	excellent			3.50	

109		superior			21.48	614
		good			65.47	
		acceptable			9.54	
		poor			0.00	
110	Are you a member of a trade union or professional association ?	Yes	68.24	No	31.76	678
111	Was your last job with a private sector employer ?	Yes	33.07	No	66.93	649

Additional Section for Managers rating staff for the Performance Pay.

Section 11 - If you have had to rate the performance of staff for the purposes of the Trust's Performance Pay Scheme we should like to ask you some additional questions. Please circle the number that best reflects your opinion.

		Strongly Disagree	Disagree	No View	Agree	Strongly Agree	Total Replies
112	Performance Pay has made staff more aware of the goals of the Trust	7.30	32.94	14.01	41.13	4.61	332
113	The existence of the Performance Pay has caused many of the staff to work beyond the requirements of their job	4.64	33.30	13.30	39.89	8.86	331
114	It has reduced the willingness of many of the staff to co-operate with management	4.06	45.35	20.44	24.05	6.11	329
115	It has led to many of the staff giving sustained high performance at work	7.92	43.85	18.24	27.78	2.21	327
116	It has helped to increase the quality of the work of many of the staff	8.00	39.43	13.66	35.37	3.55	329
117	It has led to an increase in the quantity of work many of the staff do	4.68	32.20	11.32	40.71	11.09	329
118	It has made many of the staff more committed to their work	9.02	51.23	16.39	20.88	2.47	329
119	It has made it easier for me to deal with poor performance	8.20	34.08	16.50	37.30	3.91	325
120	The system of Performance Pay has led me to take more work home	4.70	28.82	16.31	32.36	17.80	327
121	Performance Pay is a bad idea because not enough staff have sufficient control over their work to change their ways	6.14	29.93	22.65	27.78	13.51	327
122	Performance Pay has caused jealousies between staff on Trust and Whitley contracts	4.27	22.73	18.46	31.56	22.98	330

Thank you for your co-operation. We would now like you to seal the completed Questionnaire in the envelope provided and return it to us.

4. NHS Trust Hospital B: Group PRP scheme.

Section 1 - We should like to ask what you like about your job, and working in your hospital

(for each of the following statements, please circle the number that best reflects your opinion).

I originally chose a career in the health service because:

	Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
1 it gave me the opportunity to help people	0.6	2.6	11.4	50.0	35.4	898
2 I am interested in health care	0.6	2.2	11.7	48.4	37.1	890
3 it offered good pay opportunities	15.7	36.3	21.0	24.7	2.3	877
4 it offered job security	3.8	15.3	16.2	50.5	14.1	884
5 it offered me the chance to work part time	18.2	14.0	37.7	20.8	9.2	865
6 it offered me the chance to work shifts	18.2	18.6	39.9	18.6	4.8	858
7 the NHS provides an important public service	1.1	1.8	8.2	50.2	38.6	879
8 I needed a job at the time	24.5	17.7	16.1	27.9	14.0	853

Section 2 - We should like to ask you about the aspects of your current work that you value most

Again, for each of the following statements please circle the number that best reflects your opinion.

The following issues are important to me in my job :

	Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
9 Job Security	2.2	4.8	5.1	42.9	45.2	910
10 My level of income	3.1	6.9	5.8	51.3	32.9	901
11 Interest in health care	0.1	2.0	11.3	55.4	31.2	897
12 Flexible working time	7.0	14.0	24.7	39.8	14.5	887
13 Opportunity to exercise responsibility	1.1	5.5	12.3	59.1	22.0	897
14 Opportunity to work on my own initiative	1.3	3.7	5.7	58.4	30.9	900
15 Varied and interesting work	0.6	3.0	6.7	55.2	34.4	897
16 Opportunities for further training	3.3	11.8	13.4	49.2	22.3	889
17 Relationship with colleagues and manager(s)	1.0	4.6	11.8	58.9	23.7	893
18 Team work and co-operation	1.9	5.2	8.9	52.3	31.8	888
19 Staff Benefits (e.g. childcare provision)	8.0	12.5	41.6	26.7	11.1	835

Section 3 - Please evaluate your income and performance in comparison to other employees*(for each of the following statements, please circle the number that best reflects your opinion).*

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
20	In comparison with other groups of employees in the Trust my pay is fair	14.0	33.4	13.7	35.2	3.6	897
21	I am suitably paid in relation to my qualifications within the Trust	16.1	37.1	11.7	32.1	3.1	896
22	My performance is always well above that of other colleagues doing similar work.	2.5	17.6	43.1	27.0	9.9	893

Section 4 - We should now like to ask your views about the principle of linking pay to performance*(for each of the following statements, please circle the number that best reflects your opinion).***Please would you indicate whether you agree or disagree with the statements below:**

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
23	Experience (i.e. years in the job) should count more towards determining pay levels	2.5	18.0	5.5	51.5	22.5	911
24	Pay should take into account different duties carried out by staff in the same grade	2.0	14.3	7.4	52.8	23.6	905
25	Employees with additional work-related qualifications should receive additional pay	2.0	16.4	14.3	47.6	19.9	905
26	Individuals should be paid solely on the basis of individual performance	10.2	45.3	18.1	20.7	5.8	902
27	Excellent performance should be rewarded by additional bonuses in pay	4.6	15.4	9.4	47.4	23.2	905
28	Irrespective of work-related qualifications and experience, staff should be paid more if their skills are in short supply	5.1	34.2	21.2	30.1	9.5	898
29	People should be paid according to national pay scales	1.9	14.4	16.6	43.2	23.9	898
30	Annual pay rises should be used primarily to compensate for rises in the cost of living	3.3	17.7	8.1	50.0	20.8	898
31	The principle of relating pay to performance is a good one	8.9	21.6	17.6	43.8	8.2	900
32	The idea of performance pay is fundamentally unfair	7.8	38.8	23.0	21.0	9.5	895
33	It is appropriate for staff to be financially rewarded when the Trust does well in achieving its goals	2.9	7.4	9.4	48.8	31.6	896

NHS Hospital Trust B: Group PRP scheme

	Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
34 If the Trust were in financial difficulty, it would be reasonable for pay increases to be restricted if the alternative were job losses	9.4	21.8	9.7	52.3	6.8	907
35 Staff should not receive performance increments when jobs are having to be cut	7.0	27.3	15.7	40.5	9.5	902

Section 5 - Whether or not you are covered by the Trust's Performance Bonus Scheme , we would now like to ask your view of its effects. Please circle the number that best reflects your opinion.

How, in your experience, has the Trust's Performance Bonus Scheme been working:

	Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
36 It raises staff awareness of Trust objectives	8.4	32.5	22.2	34.9	2.1	898
37 It makes staff less willing to assist colleagues experiencing work difficulties	7.9	47.8	25.4	15.2	3.7	900
38 It causes jealousies between staff	3.9	28.0	17.2	36.5	14.5	897
49 It is problematic because the type of work done in the NHS is hard to measure	0.9	9.9	16.4	51.2	21.8	899
40 It has made managers set work targets more clearly	8.1	30.1	31.4	28.0	2.6	901
41 It has meant good work is recognised and rewarded at last	12.8	34.6	18.1	27.4	7.0	900
42 Managers use the scheme to reward their favourites	8.7	30.1	34.4	17.9	9.0	900
43 It has helped to undermine staff morale	4.8	21.6	26.4	29.5	17.7	898
44 For all that is said about quality, the Trust's scheme is simply a device to get more work done.	3.2	20.8	25.7	33.7	16.4	901
45 The Trust's scheme is simply a device to cut the pay bill	2.3	17.2	32.3	30.8	17.5	903
46 The performance targets of the Trust are a suitable basis for determining performance pay	8.2	26.6	39.8	23.4	2.0	899
47 The aims of Trust's scheme were clearly communicated prior to implementation	13.5	36.7	29.8	18.2	1.8	897
48 The Trust's Performance Pay scheme encourages team working	14.6	46.2	22.7	14.1	2.3	902
49 The Performance Bonus has reduced my willingness to co-operate with management	9.8	41.8	34.3	9.9	4.2	900
50 The Trust's scheme is a good way to identify poor performance	10.8	36.1	30.1	20.1	2.9	904

NHS Hopital Trust B: Group PRP scheme

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
51	The Trust's scheme makes managers more willing to deal with poor performance	6.2	32.8	29.8	29.3	2.0	894
52	The Performance Bonus does not properly reward groups/departments which perform better than the Trust overall.	0.4	7.0	30.1	48.8	13.5	896
53	The Performance Bonus does not sufficiently reward individuals who perform better than others in the Trust	0.5	9.6	32.7	45.5	11.8	888
54	The current level of the Performance Bonus is simply a means to encourage staff onto Trust contracts	0.7	8.8	16.6	42.5	31.3	897
55	Staff with frequent short-term absence due to sickness should not receive the full bonus	7.9	24.7	20.4	36.0	11.0	888
56	Generally, staff who are disciplined should not receive the full bonus	4.9	23.9	27.3	37.5	6.4	891
57	Staff whose performance is unsatisfactory but have not been formally disciplined should not receive bonus	6.2	27.8	29.9	31.3	4.9	891
58	The amount of money an individual gets from Performance Pay should be substantially increased	3.4	17.2	42.0	26.5	10.8	883

Section 6 If you are currently on a TRUST contract we would like you to answer the following questions about your personal experiences with the Performance Bonus Scheme. Please circle the number that best reflects your opinion. If you are on a WHITLEY contract please go directly to Section 7 below.

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
59	The Trust's Performance Bonus Scheme has made me more aware of the targets of the Trust.	6.9	41.1	18.1	30.6	3.1	509
60	I was already aware of the targets of the Trust	5.5	36.5	21.2	32.4	4.3	509
61	The Performance Bonus has made me identify with the goals of the Trust	5.9	39.6	25.2	26.8	2.2	507
62	The Performance Bonus has made me feel more positive about working for the Trust	8.6	30.7	22.1	34.1	4.5	511
63	The Performance Bonus has made me feel that I am part of a successful organisation	8.4	27.1	20.4	37.8	6.3	510
64	I like to receive part of my pay as a lump sum bonus	2.2	11.2	15.4	55.2	16.0	507
65	The Performance Bonus has given me an incentive to work beyond the requirements of the job	12.4	44.2	21.2	18.9	3.3	509
66	The Performance Bonus now gives proper recognition to occupational skills	12.1	33.6	31.4	20.4	2.6	506

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		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
67	The Performance Bonus has given me an incentive to be more sensitive to the needs of patients	20.8	44.3	25.7	7.5	1.8	506
68	The Performance Bonus has made me more aware of the importance of being sensitive to my colleagues	19.2	51.0	17.1	11.1	1.8	504
69	The Performance Bonus has given me the incentive to get my work priorities right	18.3	46.6	16.7	16.3	2.2	504
70	The Performance Bonus has made me want to show more initiative in my job	16.9	45.6	18.5	16.7	2.4	504
71	The Performance Bonus has made me more effective in my dealings with other colleagues	16.8	50.1	21.2	10.3	1.6	505
72	My managers can be trusted to identify poor performance	15.2	30.7	23.6	26.4	4.1	508
73	Managers know enough about the jobs of their staff to identify poor performance	19.8	26.6	16.7	32.1	4.8	504

Section 7. Whether you are on a Trust or a Whitley contract, we should now like to ask your reactions to your latest Positive Performance Management Review (PPM) (as before, please circle the number that best reflects your opinion).

			Yes	No		Total	
74	Have you already had a formal Review (PPM) ?		35.8	64.2		756	
		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
75	In the last year, I have had sufficient opportunity to discuss and clarify my role with my line manager	15.8	29.9	8.0	39.4	6.9	875
76	In the last year, I have had sufficient opportunity to identify objectives and targets with my line manager	15.1	30.4	10.9	37.4	6.2	875
77	In the last year, I have had sufficient opportunity to discuss my performance with my line manager	15.0	32.8	10.4	36.2	5.7	867
78	In the last year, I have had sufficient opportunity to discuss my personal development needs with my line manager	15.0	33.9	9.8	35.1	6.1	869
79	I am clear about my current job role	6.1	12.4	5.0	62.2	14.2	872
80	I am clear about my current objectives and targets	7.0	16.9	11.6	52.5	12.0	869
81	I understand my manager's rating of my performance	13.8	30.8	24.0	25.9	5.5	868
82	I am clear about my personal development needs	4.1	15.6	12.2	57.1	11.0	871
83	My most recent review was a fair reflection of my performance	7.8	10.8	42.9	32.1	6.4	812
84	I am personally capable of doing what is necessary to achieve my current objectives and targets	0.8	2.7	12.6	58.3	25.8	866

NHS Hospital Trust B: Group PRP scheme

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
85	The personal satisfaction I derive from my work is sufficient incentive for me to fulfil my current objectives and targets	6.4	19.6	12.8	47.2	13.9	873
86	Even if I fulfil my objectives and targets, I doubt that I will be given the full bonus	6.4	21.2	36.3	22.9	13.2	859
87	The nature of my present job makes it very hard for me to meet my objectives and targets	4.4	37.0	29.0	22.8	6.8	859

If you have had a discussion with your line manager in the last year about your personal performance, please answer the following questions:

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
88	I found the discussion useful	3.0	9.3	15.5	61.0	11.3	400
89	I found the discussion threatening	16.1	52.6	18.9	8.4	3.9	380
90	I found the discussion irrelevant	12.9	51.6	19.7	12.4	3.4	380
91	I found the discussion superficial	10.7	39.5	20.4	23.8	5.8	382

⇒ If you have not had a formal discussion with your line manager in the last year, would you please answer the following question:

92	I would have liked the opportunity to review my performance with my line manager	3.6	6.9	20.9	42.8	26.1	449
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**Section 8 If there are any further points you would like to make please do so in the space provided.
We would be particularly interested to hear your views on the following issues :**

why you decided to move to a Trust contract or remain on Whitley terms and conditions;

what you find good about or difficult with the PPM Process;

The contribution the PPM makes in achieving the objectives of your department.

Section 9. Now we should like to know something about your general attitudes to your Trust Hospital.

Please circle the number that best reflects your opinion.

		Strongly Disagree %	Disagree %	No View %	Agree %	Strongly Agree %	Total Replies
93	I feel 'part of the family' in this Trust	20.7	38.4	21.1	16.4	3.4	880
94	I would be very happy to spend the rest of my career in this hospital	10.8	18.0	19.8	41.5	10.0	880
95	I do not feel 'emotionally attached' to the hospital	6.4	30.6	17.1	37.2	8.7	873
96	I think that I could easily become as attached to another organisation as this hospital	3.7	16.8	25.6	45.9	7.9	863
97	I feel a strong sense of commitment to the hospital	8.6	19.4	22.3	39.7	10.0	871
98	Whenever changes are made in this hospital employees usually lose out in the end	2.9	16.8	25.3	34.9	20.1	870
99	Working in the Trust means a great deal to me	12.2	23.3	39.1	20.1	5.3	867
100	I have confidence and trust in my fellow staff	3.9	14.3	17.6	49.5	14.5	873

Section 10. Finally we would like some personal information. We would stress here again that this is purely for research purposes. All replies will remain confidential and anonymous.

				Total Replies	
101	Are you	Male	13.7	Female 86.3	877
102	Do you work	Full Time	66.6	Part Time 33.34	869
103	What is your age	<21		1.1	838
		21-30		24.7	
		31-40		39.5	
		41-50		25.8	
		51-60		8.4	
		>60		0.6	
104	To which staff group do you belong?	Ancillary		7.9	862
		Admin. and Clerical		20.8	
		Maintenance		2.1	
		Nursing & Midwifery		49.1	
		Professional, Tech. & Scientific		14.5	
		Senior Managers		5.7	

		NHS Hospital Trust B: Group PRP scheme				
105	How long have you worked this group (years)	<1			8.9	857
		1-2			4.9	
		3-5			19.6	
		6-10			25.4	
		> 10			41.2	
106	How long have you worked in the NHS	<1			6.2	871
		1-2			3.1	
		3-5			15.6	
		6-10			22.4	
		> 10			52.7	
107	How long have you worked at Trust A (years - including prior to Trust status)	<5			10.0	862
		5-9			5.0	
		10-14			19.5	
		15-19			28.4	
		20-24			37.1	
108	On which type of contract are you currently employed ?	Trust	53.4	Whitley	46.6	869
109	If you are on Trust pay, at the last bonus review did you receive the following	Full bonus			87.0	454
		Half Bonus due to unsatisfactory performance			1.8	
		No Bonus due to unsatisfactory and unacceptable performance			0.0	
		No bonus because of insufficient service with the Trust			11.2	
110	Are you at the top of your pay scale	Yes	52.1	No	47.9	854
111	Are you on either the Senior Managers' pay scales or Trust Grade 13 or above?	Yes	6.2	No	93.8	794
112	Are you a member of a trade union or professional association ?	Yes	68.1	No	31.9	858
113	Was your last job with a private sector employer ?	Yes	30.9	No	69.1	821

NHS Hospital Trust B: Group PRP scheme
Additional Section for Managers rating staff for the Performance Pay.

Section 11 - If you have had to rate the performance of staff for the purposes of the Trust's Performance Bonus Scheme we should like to ask you some additional questions. Please circle the number that best reflects your opinion.

		Strongly Disagree	Disagree	No View	Agree	Strongly Agree	Total Replies
114	The Performance Bonus has made staff more aware of the goals of the Trust	12.3	36.4	17.8	30.5	3.0	236
115	The existence of the Performance Bonus has caused many of the staff to work beyond the requirements of their job	9.8	46.2	23.5	17.1	3.4	234
116	It has reduced the willingness of many of the staff to co-operate with management	4.3	38.6	29.6	22.7	4.3	233
117	It has led to many of the staff giving sustained high performance at work	7.7	47.2	26.2	18.0	0.9	233
118	It has helped to increase the quality of the work of many of the staff	9.5	48.3	20.3	20.3	1.7	232
119	It has led to an increase in the quantity of work many of the staff do	6.0	43.1	17.2	25.4	8.6	232
120	It has made many of the staff more committed to their work	10.8	57.6	18.2	10.0	3.0	231
121	It has helped me clarify staff roles and set goals	12.5	37.5	21.1	26.7	1.7	232
122	It has made it easier for me to deal with poor performance	10.9	35.8	30.1	20.5	2.6	229
123	The system of The Performance Bonus has led me to take more work home	10.5	51.5	26.2	9.6	1.7	229
124	The Performance Bonus is a bad idea because not enough staff have sufficient control over their work to change their ways	7.4	19.5	29.0	28.1	15.6	231

Thank you for your co-operation. We would now like you to seal the completed Questionnaire in the envelope provided and return it to

5. Head Teachers: NAHT, mainly primary schools

Section 1. First of all we should like to ask what you value in your job

		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies	
§1. The following issues are important to me in my current job :								
1	Job security		0.3	4.1	5.5	46.7	43.4	1069
2	My level of income		0.7	5.4	6.8	56.9	30.1	1070
3	Contributing to an important public service		0.0	0.7	4.8	45.2	49.2	1068
4	My pension		0.5	3.3	7.2	43.3	45.7	1067
5	Opportunities to exercise responsibility		0.1	1.7	7.5	49.2	41.5	1060
6	Varied and interesting work		0.0	0.8	2.9	37.1	59.1	1067
7	The opportunity to take early retirement		10.0	17.0	21.8	26.8	24.3	1063
8	Status		3.8	12.8	35.1	35.6	12.9	1058
9	Self-esteem		0.8	4.3	13.9	51.5	29.4	1023

Section 2. We should like to ask your views about the principle of linking pay to performance

Please would you indicate whether you agree or disagree with the statements below :

		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies
10	The principle of relating Heads and Deputies' pay to performance is a good one	24.3	38.8	8.0	26.1	2.8	1059
11	The idea of Performance Pay for Heads and Deputies is fundamentally unfair	9.1	25.9	12.0	29.6	23.4	1061
12	Experience (i.e. years in the job) should count more towards determining pay levels	4.0	26.9	16.4	39.3	13.2	1066
13	Pay should take more account of the different duties carried out by Heads and Deputies in different schools	1.8	7.9	10.8	51.4	28.3	1069
14	Heads and Deputies should be paid solely on the basis of their individual performance	32.6	49.2	8.9	8.0	1.2	1062
15	Heads and Deputies should be paid more when these posts are difficult to recruit	3.9	21.3	20.2	46.5	8.1	1066
16	Heads and Deputies should continue to be paid according to nationally determined pay scales	0.6	8.3	7.9	44.1	39.2	1057
17	Pay should reflect the demands of the post and not the performance of individual postholders	1.6	13.0	10.5	42.8	32.0	1059

<p>Section 3 - The criteria established by the School Teachers Review Body (STRB) for determining teachers' pay grant Governing Bodies a large degree of discretion in awarding salary enhancements for Heads and Deputies. In this section we would like to establish how this process operates in your school and which criteria and indicators are used.</p>
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	Have you received, or do you expect to receive any of the following during the year 1996/7 from your school's Governing Body :	Yes	No	Total replies
18	an Annual Salary Statement	61.6	38.4	1057
19	a Performance Review	31.2	68.8	1047

If you have received a Performance Review for 1996/7, could you please answer the following questions :

20	Does the Performance Review link targets directly to pay How have the targets been set ?	33.7	66.6	356
21	I agreed the targets with my school's Governing Body	75.8	24.2	302
22	I was consulted over the choice of targets by the Governing Body	68.9	31.1	286
23	I advised the Governing Body on the appropriate criteria	74.9	25.1	299
24	My school's Governing Body used its own school-related criteria	35.5	64.5	279
25	My school's Governing Body consulted other teachers on appropriate criteria	6.8	93.2	278
26	The Governing Body follows recommendations from the LEA	56.4	43.6	291
27	No explicit criteria were used	22.9	77.1	258

Which of the following criteria are in the School's Pay Policy for awarding enhancements to pay :

28	The responsibility of the post	86.5	13.5	709
29	The social, economic and cultural background of the pupils	38.7	61.3	654
30	The difficulty of filling the post	40.1	59.9	651
31	Sustained high performance in the post	60.4	39.6	676
32	Does the Pay policy contain other criteria to determine Heads' and Deputies' pay	21.2	79.0	647

In assessing the performance of the Head and Deputy/Deputies for 1996/7, which of the following criteria will be used by the Governing Body :

Objective criteria

33	School Development Plan	79.1	20.9	659
34	Progress in implementing an Ofsted action plan	63.8	36.2	632
35	Evidence of sound financial management	73.7	26.3	636
36	School examination/test results	31.3	68.7	607
37	School absence rates	14.5	85.5	595
38	Other objective criteria	28.3	71.7	441

Subjective criteria

39	Their personal judgement of my performance	75.2	24.8	653
40	Their personal judgement of the school's performance	71.3	28.7	638

In the previous review of your pay (for 1995/6) were you informed of the following in accordance with Para 3 of the Document :

41	Did the Governing Body inform you, in writing, of your position on the pay scale	54.2	45.8	914
42	Were you informed by the Governing Body of the basis on which your pay had been determined?	45.5	54.5	907
43	Did the Governing Body inform you of the grounds for future reviews ?	23.4	76.6	907
44	Was your performance formally reviewed ?	23.5	76.5	910
45	Was this linked to performance appraisal ?	4.5	95.5	888

Section 4 We would now like to ask your views of about the practice of enhancing salary at school level

		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies
Salary enhancements based on performance for Heads and Deputies:							
46	cause resentment among teaching staff	1.8	16.4	23.8	45.1	12.9	1042
47	are problematic because it is hard to link the work done in schools to individual performance	0.8	11.1	6.1	54.9	27.1	1045
48	have made the Governing Body think more clearly about the School Development Plan	7.1	27.3	29.9	30.8	4.9	1025
49	mean that good work is recognised and rewarded at last	8.0	25.9	28.2	32.8	5.2	1029
50	are simply a device to get more work done.	7.0	32.1	34.8	20.2	5.9	1025
51	undermine team working in the school.	3.4	23.4	22.6	34.8	15.9	1033
52	Individual performance objectives for Heads and Deputies are a suitable basis for awarding enhancements.	11.7	40.9	16.9	28.7	1.7	1029
53	It would be better to reward the whole school for its performance rather than Heads and Deputies	2.0	20.2	12.5	47.6	17.7	1043
54	It is wrong to award Heads and Deputies enhancements for high performance when there aren't appropriate criteria to award classroom teachers through excellence points	1.9	13.0	8.6	51.8	24.6	1044
55	It would be fair for the Governing Body to award a pay enhancement to a Head or Deputy just to retain her/him	8.3	31.7	19.1	37.1	3.8	1041
56	The money available for enhancements associated with sustained high performance should be substantially increased	4.2	16.8	26.2	32.7	20.1	1034
57	If a school's budget is tight, it would be right for Heads and Deputies to go without enhancements even if their performance merited such an award	18.4	31.6	10.4	30.1	9.5	1039

Section 5 We would like you to answer the following questions about your personal experiences with your pay.**Linking my performance to my pay has :**

58	made me more aware of the comparative performance of my school.	11.2	38.7	26.2	21.9	1.9	875
59	given me an added incentive to work beyond the requirements of the job	26.1	47.8	17.9	6.6	1.5	875
60	reduced my wish to co-operate with the Governing Body	21.5	45.4	26.4	4.7	2.0	864
61	helped me clarify my work priorities	16.1	40.4	24.3	17.6	1.5	863
62	given me an incentive me to show more initiative in my job	22.1	46.3	22.8	7.4	1.3	867
63	has caused me greater stress in my job	7.9	27.9	27.9	24.9	11.3	870
64	had no effect on the quality of my work because it was already at the appropriate standard	1.6	7.0	22.8	42.1	26.5	874
65	I do not understand how the Governors in my school determine the award of enhancements	16.7	39.4	21.2	16.5	6.3	930
66	My Governing Body provide me with the support I need to perform well in the post	5.8	17.1	10.5	46.8	19.8	983
67	I am paid enough for my current responsibilities	24.4	42.2	10.6	19.4	3.3	988
68	The Governing Body know enough about my job to identify good performance	17.3	38.3	7.4	30.9	6.1	1017
69	The LEA has provided information on pay trends in the local area.	16.4	28.9	12.8	36.1	5.8	1002
70	LEA advice has helped the Governors set fair salary levels	18.9	36.0	21.2	21.8	2.2	997
71	It is hard to justify an enhancement for myself, when there are no resources available to determine excellence points for classroom teachers.	3.0	13.9	8.4	39.9	34.8	1015

Section 6. We should like to ask you some questions about your meetings with the Governing Body last year over pay enhancements							
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		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies
72	Throughout the last year, I had sufficient opportunity to discuss my performance with my Governing Body	17.3	34.1	10.6	32.2	5.8	998
73	I understand the Governing Body's decision regarding my pay	6.4	11.2	16.9	55.1	10.4	971
74	The decision represents a fair reflection of my performance	12.1	21.2	25.7	34.6	6.4	944
75	If I were dissatisfied with the Governors' decision, procedures exist to allow me to appeal	7.5	16.5	18.8	48.9	8.4	959
76	I know what I have to do to get an enhancement based on my performance in the future	15.1	30.7	23.9	26.2	4.1	954
77	I am personally capable of getting an enhancement based on my performance in the future	7.3	15.8	29.2	37.2	10.5	945
78	Even if my performance is good enough, I doubt if the school can afford to reward me with an enhancement	2.6	11.7	8.3	33.3	44.1	986
79	Even if my performance is good enough, I doubt if the Governors' pay policy will permit performance related pay	4.1	26.2	21.3	30.2	18.2	962
80	I feel pressurised into accepting performance targets set by the Governors without discussion.	23.9	39.9	24.3	6.6	5.3	955

Section 7. Now we should like to know something about your general attitudes, first to the school in which you work and then to working in education as a whole.							
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81	I feel 'part of the family' in my current school	0.7	4.0	3.2	41.1	51.0	1069
82	I feel a strong sense of commitment to my school	0.3	0.3	0.7	26.9	71.8	1074
83	I am very happy working here	0.9	5.0	4.8	42.6	46.7	1071
84	I do not feel 'emotionally attached' to the school	36.0	42.9	6.0	9.9	5.3	1065
85	I think that I could easily become as attached to another organisation as this school	6.3	23.8	19.8	40.6	9.5	1066
86	I would be happy to spend the rest of my career in education	5.3	14.8	7.4	44.8	27.7	1042
87	I always show goodwill to complete an urgent task	0.1	3.4	3.0	52.4	41.1	1045
88	I keep myself well-informed and undertake training when I think this may benefit the school	0.1	0.4	1.4	55.0	43.1	1050
89	Whenever changes are made in education teachers usually lose out in the end	2.4	22.3	15.9	36.4	23.1	1041
90	Working in education means a great deal to me	1.1	3.6	5.6	49.6	40.2	1042
91	My performance is always well above that of other Heads/Deputies in similar schools.	1.6	12.8	65.5	15.1	5.1	1027
92	I have confidence and trust in my colleagues in the school	0.2	3.1	4.8	59.2	32.8	1048
93	I have confidence and trust in the school's governors	3.2	11.8	11.9	55.5	17.7	1046

National Association of Head Teachers (NAHT) (mainly primary schools)

Section 8 Finally we would like some personal information							
94	Are you (Please circle)	Male	53.3	Female	46.7	Total	966
95	What is your age	<20 years	0.0				
		20-29	0.1				
		30-39	7.4				
		40-49	58.9				
		50-59	32.6				
		>60	1.1				
		Total	100.0		1044		
96	How long have you been a Head/Deputy in this school ?	<1yr	8.9				
		1-2yrs	6.7				
		3-5yrs	23.0				
		6-10yrs	31.7				
		11-15yrs	16.5				
		16-20yrs	9.1				
		>20	4.0				
		Total	100.0		1072		
97	Is this your first head/ deputy headship ?	Yes	64.0	No		36.0 Total	1050
98	What is your highest qualification?	Cert. Ed.T. Cert.	33.7				
		BA/BSc/BEd.	45.2				
		MA/MSc	20.3				
		PhD	0.8				
		Total	100.0		1053		
99	Is your current school :	1 Secondary	6.0				
		2 Middle	5.0				
		3 First	5.8				
		4 Junior	10.4				
		5 Primary	61.9				
		6 Infant	8.4				
		7 Special	0.3				
		8 Mixed school type	2.2				
		9 Sixth form college	0.0				
		Total	100.0		1055		
100		1 LEA-Maintained	74.8				
		2 Grant Maintained	4.0				
		3 Independent	0.3				
		4 Voluntary Aided	18.3				
		5 Other	0.3				
		7 Voluntary controlled	2.2				
		Total	100.0		941		

National Association of Head Teachers (NAHT) (mainly primary schools)

101	In what kind of community is your school situated?			
	1 Urban		34.5	
	2 Suburban		22.3	
	3 Small town		18.5	
	4 Rural		23.1	
	5 Mixed community		1.6	
	Total		100.0	1031
102	What is the group size of your school			
	1	1	18.2	
	2	2	53.4	
	3	3	19.9	
	4	4	2.0	
	5	5	3.7	
	6	6	1.1	
	7 1S		0.2	
	8 2S		0.3	
	9 3S		0.0	
	10 4S		1.1	
	Total		100.0	1049
103	What proportion of these receive free school meals ?			
	1 =10%		38.6	
	2 11-20%		21.8	
	3 21-30%		13.1	
	4 31-40%		8.4	
	5 41-50%		7.0	
	6 51-60%		4.6	
	7 61-70%		4.1	
	8 71-80%		1.6	
	9 81-90%		0.6	
	10 91-100%		0.1	
	Total		100.0	981
104	In which region in which your school is located ?			
	1 North		5.9	
	2 North West		15.7	
	3 Yorks & Humberside		8.4	
	4 East Midlands		8.0	
	5 West Midlands		10.3	
	6 East Anglia		6.1	
	7 South West		10.2	
	8 Greater London		10.1	
	9 Other South East		14.1	
	10 Wales		4.2	
	11 Northern Ireland		0.0	
	12 Southern		6.7	
	13 Overseas		0.1	
	Total		100.0	1048

National Association of Head Teachers (NAHT) (mainly primary schools)

105	How many enhancements have you received over the last 3 years ?		
		0	40.3
		1	27.4
		2	16.5
		3	9.2
		4	3.0
		5	1.6
		6	1.0
		7	0.3
		8	0.1
		9	0.3
		10	0.0
		11	0.0
		12	0.0
		13	0.2
	Total		100.0
			987
106	How many of these were performance-related		
		0	76.0
		1	12.4
		2	5.6
		3	3.4
		4	1.3
		5	0.6
		6	0.3
		7	0.1
		8	0.1
		9	0.1
		10	0.0
		11	0.0
		12	0.0
		13	0.1
	Total		100.0
			947

Notes: replies weighted for sample stratification as at 17.9.97 based on Excel file 'Teacher replies.'

6. Head and Deputy Head Teachers: SHA, mainly secondary schools

Section 1. First of all we should like to ask what you value in your job

		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies
The following issues are important to me in my current job :							
1	Job security	0.3	2.3	5.5	44.3	47.6	860
2	My level of income	0.5	2.7	5.3	61.4	30.1	861
3	Contributing to an important public service	0.0	0.8	6.7	35.8	56.6	862
4	My pension	0.3	1.9	7.7	46.2	44.0	860
5	Opportunities to exercise responsibility	0.2	0.2	2.5	33.4	63.5	864
6	Varied and interesting work	0.0	0.5	1.4	24.4	73.8	865
7	The opportunity to take early retirement	12.3	17.9	21.0	29.3	19.5	851
8	Status	4.3	9.3	28.0	43.6	14.8	858
9	Self-esteem	1.1	2.1	11.3	44.2	41.4	822

Section 2. We should like to ask your views about the principle of linking pay to performance

§2. Please would you indicate whether you agree or disagree with the statements below:

10	The principle of relating Heads and Deputies' pay to performance is a good one	21.0	29.2	7.9	35.6	6.3	859
11	The idea of Performance Pay for Heads and Deputies is fundamentally unfair	14.0	33.5	10.2	24.1	18.2	855
12	Experience (i.e. years in the job) should count more towards determining pay levels	11.8	36.7	18.2	27.0	6.4	859
13	Pay should take more account of the different duties carried out by Heads and Deputies in different schools	2.2	12.8	10.7	52.4	21.9	860
14	Heads and Deputies should be paid solely on the basis of their individual performance	34.3	49.8	7.8	6.4	1.6	859
15	Heads and Deputies should be paid more when these posts are difficult to recruit	6.0	23.8	19.1	45.5	5.6	862
16	Heads and Deputies should continue to be paid according to nationally determined pay scales	1.9	10.2	9.5	43.4	35.0	860
17	Pay should reflect the demands of the post and not the performance of individual postholders	2.7	22.9	11.6	38.8	24.0	853

Section 3 - The criteria established by the School Teachers Review Body (STRB) for determining teachers' pay grant Governing Bodies a large degree of discretion in awarding salary enhancements for Heads and Deputies. In this section we would like to establish how this process operates in your school and which criteria and indicators are used.

	Have you received, or do you expect to receive any of the following during the year 1996/7 from your school's Governing Body :	Yes	No	Total replies
18	an Annual Salary Statement	67.8	32.2	854
19	a Performance Review	33.2	66.8	846
If you have received a Performance Review for 1996/7, could you please answer the following questions :				
20	Does the Performance Review link targets directly to pay How have the targets been set ?	28.7	71.3	300
21	I agreed the targets with my school's Governing Body	76.6	23.4	265
22	I was consulted over the choice of targets by the Governing Body	70.9	29.1	254
23	I advised the Governing Body on the appropriate criteria	72.4	27.6	261
24	My school's Governing Body used its own school-related criteria	43.3	56.7	245
25	My school's Governing Body consulted other teachers on appropriate criteria	10.7	89.3	243
26	The Governing Body follows recommendations from the LEA	35.2	64.8	250
27	No explicit criteria were used	20.0	80.0	230
Which of the following criteria are in the School's Pay Policy for awarding enhancements to pay :				
28	The responsibility of the post	88.9	11.1	548
29	The social, economic and cultural background of the pupils	32.8	67.2	506
30	The difficulty of filling the post	37.2	62.8	505
31	Sustained high performance in the post	59.4	40.6	520
32	Does the Pay policy contain other criteria to determine Heads' and Deputies' pay	31.0	69.0	504
In assessing the performance of the Head and Deputy/Deputies for 1996/7, which of the following criteria will be used by the Governing Body :				
Objective criteria				
33	School Development Plan	74.7	25.3	475
34	Progress in implementing an Ofsted action plan	60.7	39.3	463
35	Evidence of sound financial management	64.8	35.2	460
36	School examination/test results	50.3	49.7	457
37	School absence rates	31.7	68.3	441
38	Other objective criteria	44.4	55.6	338
Subjective criteria				
39	Their personal judgement of my performance	74.2	25.8	674
40	Their personal judgement of the school's performance	65.0	35.0	466
In the previous review of your pay (for 1995/6) were you informed of the following in accordance with Para 3 of the Document :				
41	Did the Governing Body inform you, in writing, of your position on the pay scale	62.6	37.4	711
42	Were you informed by the Governing Body of the basis on which your pay had been determined?	41.4	58.6	701
43	Did the Governing Body inform you of the grounds for future reviews ?	21.5	78.5	698
44	Was your performance formally reviewed ?	21.5	78.5	697
45	Was this linked to performance appraisal ?	5.9	94.1	679

Section 4 - We would now like to ask your views of about the practice of enhancing salary at school level

		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies
Salary enhancements based on performance for Heads and Deputies:							
46	cause resentment among teaching staff	1.6	11.7	16.4	48.2	21.9	852
47	are problematic because it is hard to link the work done in schools to individual performance	1.6	13.4	3.5	49.6	31.9	857
48	have made the Governing Body think more clearly about the School Development Plan	10.7	27.9	32.7	24.4	4.3	835
49	mean that good work is recognised and rewarded at last	7.8	29.1	23.0	34.9	5.1	842
50	are simply a device to get more work done.	9.0	37.5	36.3	13.8	3.4	846
51	undermine team working in the school.	4.7	24.9	16.4	35.2	18.8	850
52	Individual performance objectives for Heads and Deputies are a suitable basis for awarding enhancements.	12.1	41.7	11.2	32.7	2.2	848
53	It would be better to reward the whole school for its performance rather than Heads and Deputies	3.0	18.9	12.4	45.2	20.5	857
54	It is wrong to award Heads and Deputies enhancements for high performance when there aren't appropriate criteria to award classroom teachers through excellence points	2.5	16.8	5.8	43.1	31.9	852
55	It would be fair for the Governing Body to award a pay enhancement to a Head or Deputy just to retain her/him	12.7	37.4	12.5	33.5	3.9	850
56	The money available for enhancements associated with sustained high performance should be substantially increased	8.6	24.6	24.3	27.2	15.2	846
57	If a school's budget is tight, it would be right for Heads and Deputies to go without enhancements even if their performance merited such an award	10.0	23.0	12.3	39.7	14.9	851

Section 5 We would like you to answer the following questions about your personal experiences with your pay.

Linking my performance to my pay has :

58	made me more aware of the comparative performance of my school.	17.4	36.4	25.6	18.6	2.0	665
59	given me an added incentive to work beyond the requirements of the job	30.5	44.6	15.1	8.7	1.1	663
60	reduced my wish to co-operate with the Governing Body	30.7	41.1	24.0	3.0	1.2	662
61	helped me clarify my work priorities	22.0	34.5	24.1	18.3	1.1	660
62	given me an incentive me to show more initiative in my job	30.0	37.9	20.8	10.4	0.9	663
63	has caused me greater stress in my job	16.0	33.5	28.2	18.1	4.2	663
64	had no effect on the quality of my work because it was already at the appropriate standard	2.4	8.4	25.2	36.2	27.8	663
65	I do not understand how the Governors in my school determine the award of enhancements	22.1	36.5	18.5	15.9	7.1	737
66	My Governing Body provide me with the support I need to perform well in the post	5.5	13.9	13.4	44.1	23.2	794
67	I am paid enough for my current responsibilities	12.8	38.7	11.9	29.2	7.5	799
68	The Governing Body know enough about my job to identify good performance	15.3	37.6	7.9	34.9	4.2	808
69	The LEA has provided information on pay trends in the local area.	18.0	26.4	21.6	27.2	6.9	751
70	LEA advice has helped the Governors set fair salary levels	21.2	29.4	30.4	17.2	1.8	739
71	It is hard to justify an enhancement for myself, when there are no resources available to determine excellence points for classroom teachers.	3.7	13.5	9.9	42.0	30.9	790

Section 6. We should like to ask you some questions about your meetings with the Governing Body last year over pay enhancements

		Disagree strongly	Disagree	No view	Agree	Agree strongly	Total replies
72	Throughout the last year, I had sufficient opportunity to discuss my performance with my Governing Body	24.9	27.0	11.8	28.8	7.5	747
73	I understand the Governing Body's decision regarding my pay	8.9	11.5	13.5	52.0	14.1	721
74	The decision represents a fair reflection of my performance	11.3	17.4	29.1	33.1	9.1	701
75	If I were dissatisfied with the Governors' decision, procedures exist to allow me to appeal	9.3	15.8	17.7	45.1	12.1	708
76	I know what I have to do to get an enhancement based on my performance in the future	17.6	27.8	25.0	24.4	5.2	697
77	I am personally capable of getting an enhancement based on my performance in the future	7.0	13.2	28.7	39.5	11.5	696
78	Even if my performance is good enough, I doubt if the school can afford to reward me with an enhancement	3.9	14.3	13.9	36.2	31.7	726
79	Even if my performance is good enough, I doubt if the Governors' pay policy will permit performance related pay	7.1	26.6	21.2	27.2	17.9	717
80	I feel pressurised into accepting performance targets set by the Governors without discussion.	33.5	34.1	19.6	7.0	5.8	710

Section 7. Now we should like to know something about your general attitudes, first to the school in which you work and then to working in education as a whole.

81	I feel 'part of the family' in my current school	1.1	5.1	4.7	46.3	42.8	855
82	I feel a strong sense of commitment to my school	0.1	0.5	1.2	23.3	75.0	860
83	I am very happy working here	0.8	4.4	4.4	40.7	49.7	860
84	I do not feel 'emotionally attached' to the school	40.9	39.2	4.7	11.2	4.1	859
85	I think that I could easily become as attached to another organisation as this school	6.5	19.6	13.9	48.8	11.1	856
86	I would be happy to spend the rest of my career in education	1.8	8.6	4.1	47.2	38.3	856
87	I always show goodwill to complete an urgent task	0.1	2.6	2.0	39.0	56.3	858
88	I keep myself well-informed and undertake training when I think this may benefit the school	0.0	1.2	1.5	49.1	48.2	863
89	Whenever changes are made in education teachers usually lose out in the end	6.4	38.9	19.5	24.9	10.2	855
90	Working in education means a great deal to me	0.1	2.5	5.8	44.3	47.3	856
91	My performance is always well above that of other Heads/Deputies in similar schools.	2.5	10.7	64.0	16.8	6.1	841
92	I have confidence and trust in my colleagues in the school	0.5	3.3	4.9	66.4	25.0	861
93	I have confidence and trust in the school's governors	3.1	8.6	15.7	54.7	17.8	859

Secondary Heads Association (SHA) (mainly secondary schools)

Section 8 Finally we would like some personal information.					Replies	
94	Are you (Please circle)	Male	68.5	Female	31.5 Total	790
			%	Replies		
95	What is your age	<20 yrs	0.0			
		20-29	0.0			
		30-39	10.7			
		40-49	55.4			
		50-59	33.4			
		>60	0.5			
		Total	100.0	858		
96	How long have you been a Head/Deputy in this school ?	<1yr	8.9			
		1-2yrs	9.7			
		3-5yrs	25.7			
		6-10yrs	33.1			
		11-15yrs	14.7			
		16-20yrs	6.1			
		>20	1.8			
		Total	100.0	868		
97	Is this your first head/ deputy headship ?	Yes	81.7	No	18.3 Total	856
98	What is your highest qualification?	Cert. Ed.T. Cert.	2.7			
		BA/BSc/BEd.	43.2			
		MA/MSc	49.7			
		PhD	4.5			
		Total	100.0	864		
99	Is your current school :	1 Secondary	95.9			
		2 Middle	0.6			
		3 First	0.1			
		4 Junior	0.0			
		5 Primary	0.2			
		6 Infant	0.0			
		7 Special	0.1			
		8 Mixed school type	2.5			
		9 Sixth form college	0.6			
		Total	100.0	856		
100		1 LEA-Maintained	60.9			
		2 Grant Maintained	17.8			
		3 Independent	9.2			
		4 Voluntary Aided	9.7			
		5 Other	1.7			
		7 Voluntary controlled	0.6			
		Total	100.0	824		

Secondary Heads Association (SHA) (mainly secondary schools)

101	In what kind of community is your school situated?		%	Replies
	1 Urban		35.3	
	2 Suburban		21.8	
	3 Small town		27.2	
	4 Rural		10.6	
	5 Mixed community		5.1	
	Total		100.0	849
102	What is the group size of your school			
	1	1	0.4	
	2	2	0.9	
	3	3	4.4	
	4	4	22.3	
	5	5	52.3	
	6	6	18.4	
	7 1S		0.1	
	8 2S		0.4	
	9 3S		0.5	
	10 4S		0.5	
	Total		100.0	817
103	What proportion of these receive free school meals ?			
	1 =10%		38.5	
	2 11-20%		26.2	
	3 21-30%		17.2	
	4 31-40%		7.8	
	5 41-50%		4.6	
	6 51-60%		2.3	
	7 61-70%		2.2	
	8 71-80%		0.8	
	9 81-90%		0.4	
	10 91-100%		0.0	
	Total		100.0	743
104	In which region in which your school is located ?			
	1 North		7.3	
	2 North West		12.6	
	3 Yorks & Humberside		8.5	
	4 East Midlands		9.2	
	5 West Midlands		10.3	
	6 East Anglia		6.6	
	7 South West		6.8	
	8 Greater London		11.2	
	9 Other South East		16.1	
	10 Wales		5.4	
	11 Northern Ireland		1.5	
	12 Southern		4.1	
	13 Overseas		0.3	
	Total		100.0	863

Secondary Heads Association (SHA) (mainly secondary schools)

105	How many enhancements have you received over the last 3 years ?		
		0	42.7
		1	26.9
		2	16.3
		3	10.5
		4	2.0
		5	0.5
		6	0.7
		7	0.1
		8	0.1
		9	0.0
		10	0.0
		11	0.1
		12	0.0
		13	0.0
	Total		100.0
			806
106	How many of these were performance-related		
		0	78.6
		1	11.1
		2	5.6
		3	2.9
		4	1.0
		5	0.3
		6	0.3
		7	0.1
		8	0.0
		9	0.0
		10	0.0
		11	0.0
		12	0.0
		13	0.0
	Total		100.0
			782

Notes: unweighted replies as at 20.6.97 based on Excel file 'Teacher replies unweighted'.

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