Performance Related Pay In Practice: Organisation And Effect

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Revised version
September 1998
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Acknowledgements

This piece of research marks the formal conclusion of eight years of transition from Tinsmith to Wordsmith. The process as been by no means easy, but I have enjoyed every minute of it. It has taken a tremendous amount of sacrifice and struggle most of which has been borne by my wife and children. To Elaine, Joe, Jack and Faye I will be eternally grateful for your constant patience with a sometimes absent, sometimes grumpy father. Without your constant support I could never have done it.

I would also like to thank those people who have encouraged me to make the transition. Derek Cox, Brian Towers, Ken Coates and John Barnes.

I am grateful to the ESRC for providing me with the funding both for my Masters degree and my Phd research, and Dawn Wood for her advice and assistance over the years.

On beginning my research, like others going through the process, over the years I have bored certain people with my ideas and thoughts. In particular the people who I shared an office with. So Mark Cully, Noelle Donolly, Anne McBride and Chris Rees, thanks for listening, and sorry if I bored you. I would also like to say thanks to those people who I shared liquid refreshment and a good chat with over the years - Nanda Gopaul, Thomas Murakami, Luis Ortis, Tom Cooper, Rachel Allen, Javier Quintinilla and all the other Phd’s. I would like to thank Rachel Allen and Graham Saddler for their assistance in learning to use a P.C. More recently I would like to thank Jim Arrowsmith and Donald Hislop for their friendship and encouragement, Jane Parker for the proof reading and Keith Sisson for his advice and guidance.

While I am in humble pie mode I would like to thank all the companies who took part in the research for allowing me access and all those employees whom I interviewed. I would particularly like to thank Karen French, Stuart Hannan, John Kinney, Alan Robson and Steve Kier who arranged access to do the detailed ethnographic fieldwork. And thank you to those departmental managers who put up with me disrupting their busy schedules.

Last But not least I would like to thank my supervisors, P K Edward and H Newell for their excellent advice and guidance. And especially in the case of Paul Edwards for putting up with what he calls my 'unorthodox' style of English.
Abstract

During the 1980s and 1990s, in the area of pay, 'performance-related pay schemes' (PRP) became the ultimate buzz-word. The popularity of PRP reflected pressure from two main sources. The first was management practitioners and consultants, the second the governments of the day. Both were reacting to what they saw as a possible cure for the ills of economic recession. In other words, the concept fitted well with an ethos of what successful companies should look like and the kinds of policies that they should be utilising.

This thesis highlights the complexities of the organisation and the effects of PRP in 16 case study organisations. It argues that, conceptually, PRP can be examined with greater analytical foresight from a control perspective than from the usual starting position of whether PRP is motivational or not.

In an attempt to highlight this, two processes were explored. The first process concerns the 'effort bargain'. This involves the reorganisation of work in a bid to standardise effort measurement, combined with attempts to intensify effort levels. The second is a 'process bargain' which includes a change to an organisation's administration systems. Examples include human resource management, differing systems of budgetary control and performance management which all involve subsequent changes to systems of rules, measurement and control. Importantly, it will be argued that this is not a search for control per se as simple labour process theory would predict. Representing control and reactions to it as homogeneous is dangerous and misleading, and leads to labour control systems becoming the sole focus of crisis. Rather, PRP represents part of a wider search for competitive advantage which includes restructuring and changes to the organisation.

While vagueness in the objective setting process was common to many of the organisations, the research found that the changes in the companies studied here were complicated by a search for control, compliance and consent. Further, the outcomes were largely specific to each organisation, depending on the negotiation of the 'politics of pay'. Ways in which they were aiming to do this were as follows:

- control labour costs and their distribution,
- 'mass individualism' - individual but standardised contracts,
- flexible standardisation - the combined search for flexibility and standardisation simultaneously and
- management - as agents of restructuring.

An important omission was made in this process, however, and this involved performance itself. In a bid to balance out the many contradictory forces, performance was actually one of the last issues to be dealt with. The research highlights why this is so. What the above implies is that faced with crisis, organisations become involved in a renegotiation of effort and systems of control. PRP is one way of achieving this in some organisations.
CHAPTER ONE

INTRODUCTION: GENERAL AIMS AND OBJECTIVES.

1.0 Introduction

Performance Related Pay (PRP) schemes have attracted increasing attention throughout the last decade. In particular, they seem to have been linked with the concepts of Human Resource Management (HRM) and Total Quality Management (TQM). As with these concepts, research into PRP has been relatively sparse but this has not stopped it from being prescribed by academics and specialists alike as 'the' pay system to solve the problems of the 1980s and 1990s.

As well as the traditional use of pay as a means of aiding the recruitment, retention and motivation of staff, PRP is said to hold out the promise of a direct link between effort and reward and form a means of consolidating moves towards the creation of an internal labour market in line with other HRM/TQM techniques. Supporters of PRP even point to the fact that employees themselves have great difficulty in arguing against the logic of such schemes. It is also argued that PRP schemes are a fairer way of rewarding people as it is only 'fair' that reward should have a direct link with effort.

These views are simplistic for a number of reasons. Firstly, and probably most importantly, the so-called 'positive' effects of PRP are rarely backed up by any systematic evidence. Secondly, specific company and/or sectoral factors are rarely taken into account so that PRP is offered as a carte blanche recipe for all. Finally, the consequences for employees are largely ignored and/or seen as unproblematic 'teething' problems. It is assumed that the schemes will be beneficial to all employees and that they will understand and agree with the particular notions of fairness on which PRP is based, ignoring the possibility that perceptions of fairness can vary from employee to employee.
It is surprising that companies should place so much emphasis on a particular type of pay scheme without evidence as to whether it works or not given that these schemes are rarely introduced independently and are usually argued to be part and parcel of other business goals and objectives to enhance competitiveness. Given the popularity of such schemes it is important that they should be fully researched and that their structure, organisation, objectives and effects are systematically examined, both from the point of view of the employer and employee. This is because it should be emphasised that immense damage, both in terms of performance and employee relations, can be inflicted if the wrong scheme is used under the wrong pretext. In other words, although consultants seem quite happy to do so, it is no use prescribing something if one cannot first describe what it is and what it can be used for.

1.1 What is PRP?

The principle of PRP, or merit pay as it was known, has been well established since at least the late 1940s, in particular occupations and sectors, along with its counterpart job evaluation. There was basically no change in the nature of these schemes until their new lease of popularity in the 1980s (Fowler, 1988). Since then five basic changes have been noted:

1. There has been a move away from assessment based on personal qualities towards those assessed against working objectives (i.e. rewarding output rather than input).
2. The schemes have been increasingly introduced into the public sector.
3. There has been an extension of these schemes from their traditional area of managerial occupations downwards to all job categories in general.
4. There has been a move away from a general two part increase which included a cost of living increase and a performance related element, towards a single increase based solely on performance.
5. These pay systems, it is claimed, are linked more closely to the overall business objectives of the organisation.

Yet, it is still unclear exactly what PRP is and how it varies, if at all, from company to company and from sector to sector. Despite the simplicity of the title, PRP, it is extremely difficult to say what it is in a simple sentence, given its many guises. Useful characterisations are as follows:

- a means of translating and transmitting market based organisational goals into personalised performance criteria whilst at the same time preserving the integrity of a coherent grading structure (Kessler and Purcell 1992: 16).

- a system in which an individual's increase in pay is solely or mainly dependent on his/her appraisal or merit rating (Swabe 1989: 17).

Storey and Sisson (1993) also differentiate between individual PRP which is measured through output criteria and merit pay which is judged on behavioural traits. These descriptions, while embodying many of the sentiments involved with PRP, are mainly about different aspects of observed behaviours and are not applicable to all aspects and forms of PRP. While none describes PRP adequately, due to its complex nature, they provide an acceptable starting point.

PRP has obvious similarities with Payment By Result (PBR) schemes, but whereas PBR is measured by fixed output norms, PRP is measured by behavioural traits or the attainment of previously set objectives or targets. Through these, effort within PRP is reconstituted to embrace not only levels of output, as is the case with Payment by results (PBR), but also the quality of that output, and the level of discretion and initiative exercised by the individual. In emphasising the individual, appraisal becomes both a means of communicating with and to the individuals involved while reward systems based on contribution to the organisation's objectives for sustainable competitive advantage are highly favoured by employers. Another point is that whereas PBR is mechanistic, PRP involves an amount of subjective judgement of performance.
There are three ways of determining performance: via the individual, the group or the establishment, although the latter two are relatively unusual since incentive is much stronger when applied at the individual level. Individual PRP can also be determined in various ways. These range from progression through set pay bands based on the attainment of certain criteria or performance targets/objectives (this is similar to progression based on seniority which was common place in the public sector) to variable bonus payments that are utilised to target money to certain high performing employees. Sometimes more than one type can operate at the same time.

My preferred definition of PRP would be its characterisation by the linking of an individual's increase in pay to an appraisal of his/her performance against the use of a set of predetermined criteria based on objectives, behaviours, competences or some combination of the three. PRP is argued to have all the strengths and none of the weaknesses of other schemes. Individually based, a rewardeer and a motivator, a supporter of organisational, cultural, skill and objectives based on change and performance - and capable of relating pay in the individual organisation to pay in the outside market.

Two of the main keywords that are seen as synonymous with PRP in the 1980s and 1990s are reward management and performance management. Both of these concepts are argued to represent a move away from the static salary administration of the post-war period. Neither necessarily has to include PRP as part of the process, yet, for most, PRP is seen as an essential reinforcement for the type of behaviours the organisation requires.

Reward management recognises that the motivation to improve must extend to all employees and not just 'high flyers'. Secondly, they must be flexible and not tied to rigid salary structures and job evaluation schemes. There is both an implicit and explicit assumption that employees are the key to organisational success and that reward management is a means of helping to achieve the
individual and organisational behaviour that a company needs if its business goals are to be met (Armstrong 1995). Performance management is a form of reward management and akin to what Lawler (1990) calls the 'new pay'. It is 'about the agreement of objectives, knowledge, skill and competence requirements and work development plans' (Armstrong 1995: 260). It mainly emphasises the importance of goal setting and feedback - reviewing performance in relation to agreed objectives. Fundamentally, it is not something handed down by bosses, but reflects all members of the organisation as being regarded as partners. If the key difference had to be summed up in one sentence it is probably that while both concepts (i.e., reward management and performance management) utilise a connection to business goals, Performance management is wedded to the use of the performance contract principle.

1.2 The Extent of PRP

PRP or merit pay as it is sometimes known gained increasing popularity in the 1980s (Fowler 1988; IRN 1992) but the precise extent of its coverage is not known because official data sources such as the New Earnings Survey only include PRP among the 'catch all' category of 'incentive pay' (Casey et al, 1992). However, those smaller scale surveys which have been undertaken show that the proportion of companies which use PRP for at least some proportion of their employees varies between one third (IRS 1991) and one half (NEDO 1991; WIRS 1992; IRS 1991; Casey et al 1992). One survey even found that two thirds of respondents used PRP (IDS 1991).

1.3 Why so popular?

One reason for the popularity of PRP schemes is that they closely fit with government ideology of the 1980s and 1990s. Governments have continuously promoted the idea of 'market forces' and 'individualisation' of the employment relationship, and have been determined to eliminate what they see as rigidities in the working of the labour market (Brown and Walsh 1991). Pay, according to
government sources, ought to be linked only to what companies can afford (as in profit-related pay schemes which have been encouraged through direct tax concessions) as well as to an individual’s performance as in PRP. This factor certainly accounts for the increased use of PRP in the public sector.

A second reason is that PRP schemes are usually linked to notions of HRM/TQM which have gained in popularity over the 1980s and 1990s. Although the meaning and nature of these concepts remain elusive, they represent a strategic and coherent approach to an organisation’s most important assets: its employees (Armstrong 1993). HRM puts emphasis on the development of the individual employee while TQM emphasises the individual’s responsibility to product quality and customer service. Thus, individualised reward systems become an important part of the concepts of HRM/TQM. They are also symptomatic of broader shifts in management practices and the elaboration of strategy specific to the development of the individual organisation (Walsh 1992).

Finally there have been increasing pressures on reward systems throughout the 1980s and 1990s which have reinforced the trend towards PRP schemes (Vickerstaff 1992):

1) Both product market and labour market pressures have increased with the increasing competition of the last decade and half.

2) New technology and new forms of work organisation have begun to challenge existing demarcation and pay structures.

3) Reference points for market rates may have increasingly begun to internationalise.

To summarise, the use of PRP is increasing, its nature is changing and there are certain political and economic pressures which have increased these trends.
Despite the fact that between one half and one third of all companies are reported to have PRP for at least some proportion of their staff (NEDO 1991; Millward et al 1992; IRS 1991; Casey et al 1992) no uniform picture of PRP has yet emerged. The literature to date has been dominated by prescriptive approaches which support PRP wholeheartedly, or in case studies (Geary 1992; Procter et al 1993) which have tended to concentrate on particular areas of PRP (cf. Kessler and Purcell 1992). As valuable as this latter group of case studies is, it does not provide a concerted analysis of PRP. The objective of this thesis is to pull together some of the various strands into an encompassing approach to PRP using both quantitative and qualitative research methods. The research throws some light on to the subject area and shows for the first time the complexities of PRP in terms of the types/range of schemes used, their effects on managers, and the management of the organisation and their link with performance. Using evidence from the empirical research in this thesis, it is argued that the introduction of PRP schemes should be viewed as part of a wider re-negotiation of systems of control within the organisation and, in particular, as part of the process of the re-negotiation of the effort bargain. In this, managers themselves are not only wielders of the carrot and the stick but also subject to them and whether they make 'asses' of themselves depends on whether they 'manage up' or 'manage out' (Smith 1990). In other words, do they learn to control these systems to their own advantage or according to the company's objectives, in which case, are they managing themselves out of a job?

Past analysis was limited by the starting point of focusing on motivation and attempts to find universal principles. Even very valuable research tends to be imprisoned by this (e.g. Marsden and Richardson 1994; Thompson 1993; Kessler & Purcell 1992; Lewis 1997 etc.). That the schemes are viewed within the rationale of pay as a motivational tool thus, leads authors to find PRP not 'motivational' and then have to stop. A second problem is universalism, (i.e. the schemes are assumed to apply to all organisations or their components or that once applied they change little). Also it is assumed that the objectives of the organisation can be applied in a universal fashion. This is surprising as there is
already a wealth of literature that indicates that incentive pay schemes especially are constantly changing (Brown, 1973; Alhstrand, 1990). For example, at Esso’s Fawley plant, the grandfather of productivity bargaining, there were 21 different agreements over a 25 year period under the guise of the same scheme. This was because the schemes very rarely met their stated objectives and were inherently unstable due to the presence of both internal and external factors which were competing against each other. Yet the need to reduce uncertainty, to manage impressions and to keep the rhetoric alive led employers to become locked into schemes even where it became obvious that they were not working (Alhstrand 1990).

That the starting point of other research into PRP leads them down the wrong path even where the initial intentions have been quite different means that another means of conceptualising PRP is needed. The opinion of the author is that we have to go back to basics. Despite the amount and complexity of literature on pay and its elements and despite developments in the analysis of relatively new concepts such as Human Resource Management, it still remains the case that a body of work written over 40 years ago supplies the basis to begin an exploration of PRP. For example, among others, Baldamus (1961) argued four decades ago that pay and its associated systems of administration were driven by negotiations over the effort bargain and the need for employers and employees to retain as much control as possible over its various elements.

Writing well before the revival of the labour process debates, he also highlighted the fact that that attempts at controlling the effort bargain were far from deterministic. Rather, there were inherent tensions in the whole process which meant that at the end of the day there was very little strategic content to it. It is these very concepts that will be utilised within this thesis to aid the analysis of the organisation and effect of PRP. It is also this process which highlights the complexities of employer control attempts which, in turn, highlights the need not to attempt to simplify definitions of all embracing modes of control.
1.4 Outline of the thesis

The research was carried out in three main stages which will be described in further detail in the methodology. The first entailed an analysis of the Workplace Industrial Relations Survey 1990 data (WIRS90) in order to gain a quantitative picture of the average PRP establishment and identify the types of companies for case study work. The second entailed interviews in 16 companies including an examination of their PRP schemes. The final stage involved ethnographic study in four of the 16 case study companies.

Chapter two examines the research to date into PRP and highlights the direction which the thesis will take and why (i.e. PRP is better viewed as part of a control mechanism involved in the renegotiation of control and the effort bargain). In chapter three the methodology used in constructing this research project and in choosing the types of companies which took part in the qualitative element of the research will be outlined. This includes initial analysis of the WIRS90 data concerning PRP. Chapter four has two parts. The first looks at the main features of a PRP establishments by examining the data from WIRS90. This provided an interesting benchmark from which to examine and select those companies who would take part in the ethnographic stage of the research. It was found that on average companies with PRP have distinctive characteristics as opposed to those without PRP in particular:

- Most were large multi establishment companies;
- They were experiencing much change and reorganisation;
- But there was little outward change in relations with unions and collective bargaining, including being more likely to have more than one union and representatives at the establishment;
- Differences in management and administration systems;
- Differences in products and markets, mainly highly competitive.
The second part of Chapter Four examines the type and nature of the schemes in the 16 case study companies. It particularly highlights:

- An enormous variety in the ways in which companies determine the rating of individuals and the link between pay;
- The fact that they do not operate in a socio, political and economic vacuum;
- Fact that appraisal may act as a means of surveillance.

Chapter Five looks in more detail at how and why the schemes were introduced and at the effects of the schemes on the managers and the management of the companies. The main points being:

- Confirmation that the schemes are heavily shaped by the organisation's past histories and practices;
- A preoccupation with increasing performance, controlling the distribution of performance, and controlling costs. All of which may have contradictory effects on each other;
- The fact that the schemes may have two main purposes: changing the process bargain (administration processes) and the effort bargain;
- Performance contract used to make management the restructuring agents.

Chapters Six to Nine examine each of the four companies who took part in the ethnographic stage of the research in turn, highlighting the effects that these schemes had on both managers and employees and examining the different ways in which the schemes were used as control mechanisms. It also examined the ways in which employees responded to these factors. The companies were from banking, retail, engineering and public sector and the main points highlighted in each were:

- A great amount of organisational restructuring including the organisation of work and technology, with standardisation and flexibility being sought simultaneously;
• A vagueness in the objective-setting process causing the schemes to go wrong in terms of effect on performance;
• An obsession with controlling costs and the distribution of performance;
• With a concentration on focus, drive and control of all kinds;
• A 'playing of the game' by employees in an attempt to take part in the effort bargain.

The final chapter concludes on the main ways in which these schemes were utilised and their possible effects on the performance of the companies. In attempting to conceptualise the main rationale for PRP it also reflects on the labour process debate and draws on the lessons from the case studies to provide a critique of simplified definitions of modes of control (Friedman 1977 and Edwards 1979).
CHAPTER TWO

PERFORMANCE RELATED PAY

2.0 Introduction

In this chapter, using a review of the relevant literature, I will examine the main elements of PRP with a view to highlighting directions for a theoretical approach which moves towards an explanation of the use of PRP schemes. The aim of this chapter is to lay out the analytical framework for the rest of the thesis. It will become clear that the path to this research agenda was very much set by practitioners' concerns in the 1980s. Research into PRP, initially carried out for or by practitioners, led to issues such as motivation and fairness being major foci. It was only when analysis began to highlight other factors that the research widened out to examine other elements involved with these schemes. One of the issues highlighted, but not developed, was that these schemes were possibly as concerned with control as anything else. However, this does not refer to pure exploitative control as in the early labour process theory (Braverman 1974). Prior to the labour process debate of the 1970s, there was already a much richer tradition of examining the employment relationship based on notions of the effort bargain (Baldamus 1961; Behrend 1957) and social norms (Hyman and Brough 1975). This can be utilised to examine the nature of PRP. Both concepts have a large impact on the notions of motivation and fairness. This tradition, combined with the factors highlighted by previous research into PRP, may provide a much richer view of the processes involved in the use of PRP schemes. In highlighting the issues of control involved with PRP this research will develop a number of questions which will form the main focus of the thesis.

Using Figure 2.1, it will be shown that PRP was strongly promoted by management practitioners who were intent on bringing about an alternative set of relations in the workplace to that of most of the post-war period. PRP schemes fitted well with an image of solving organisational problems which appealed
immensely to companies faced with the intensive competitive environment of the 1980s and 1990s. Given a mixed picture of the practical implications of PRP, academics were faced with the task of investigating whether in fact these schemes met the huge expectations placed upon them, not least of which was an improvement in performance brought about by a fairer pay system. Such a pay system which was said to be both motivational and fair because it brought about a direct link between pay and performance.

**Figure 2.1. PRP: An analytical framework**

![Diagram of PRP: An analytical framework](image)

Purportedly, this relationship made it much easier for companies, not only to retain their best performers, but also to recruit the kind of staff that dynamic organisations require. Overall then, this kind of relationship would bring about a
highly motivational environment in which a virtuous performance circle would be created.

Following on from practitioner concerns with PRP, this study will examine the academic research to date into the notions of recruitment and retention, motivation and the performance pay link involved with PRP which the above debate brought into focus. However, as will be seen in the rest of the chapter, studies began to find that recruitment and retention issues were much better addressed through market structures than by creating inconsistencies in grading structures. These apparent inconsistencies meant that very few of the schemes were motivational. Indeed, most of the studies came to the conclusion that they may be demotivating in nature. Further, although in agreement with the principle of PRP, most of the individuals subjected to it did not agree with it in practice, highlighting that the pay performance link was by no means a straightforward one.

The results from the academic community were somewhat negative concerning the purported uses below:

- recruitment and retention;
- motivation; and
- Pay performance link.

Despite these findings, PRP schemes do not seem to be declining in popularity, and although the exact spread of such schemes is not known, practitioner journals show that the concept seems only to change its form and not in its level of attractiveness. Why then do such schemes continue to be utilised?

Although findings were largely negative for the uses cited above, academic research did begin to raise a number of other issues which pointed to other uses for PRP. Basically, seven additional objectives from previous research were identified which companies have utilised when introducing PRP. All, as Kessler
1. they signal a change in organisational culture (Kessler and Purcell 1992; Lewis 1991; Procter et al 1993; Fowler 1988; Pendleton 1992.);
2. they can be used to bring about a restructuring of the employment relationship (Kessler and Purcell 1992; Procter et al 1993; Fowler 1988);
3. they allow companies to reward selectively without an increase in the paybill (Goodhart 1993.);
4. they decentralise collective bargaining (Walsh 1992);
5. they can marginalise the role of the trade unions (Kessler and Purcell 1992; Procter et al 1993; Fowler 1988.);
6. they allow closer financial control (Kessler and Purcell 1992; Procter et al 1993; Pendleton 1992);
7. as organisations become flatter, it becomes more difficult to reward through promotion. PRP enables selective rewarding, combined with development programmes such as performance management systems, to dilute employee dissatisfaction (Goodhart 1993).

These issues have never been developed with any systematic vigour. Neither has there been an attempt to synthesis them in an all embracing fashion. Thus, there are still many questions left unanswered by research into PRP, not least of which is the theoretical weakness founded upon the failure to address a simple question - 'why do organisations manage PRP the way they do?' (Kessler 1994). Kessler argued that the question can be reformulated as three more refined questions:

1. why do organisations pursue a particular configuration of goals through PRP schemes?
2. why do organisations design and implement their PRP schemes in particular different ways?; and
3. Why do organisations continue to pursue the PRP approach despite the operational difficulties commonly highlighted by observers?

The framework for this research will attempt to fill some of the 'gaps' highlighted by these questions by combining a number of key analytical concepts previously used for other pay systems but rarely employed in conjunction with PRP. Not least among these is the concept of control. Another is the concept of contingency. Analysis of both of these factors will lead to the need for an appreciation of the politics of pay systems - both organisation and governance - which point to the bargaining, uncertainty and power relations involved in the design and usage of PRP schemes.

Labour process theory has a ready explanation for such control issues and would predict that such schemes are just another means by which the forces of capitalism seek to exploit labour. However, labour process theory has little to say about the analysis of PRP. Rather, during the 1980s and 1990s it has concentrated on developments such as Japanisation, HRM, TQM, and lean production, treating PRP as just one element among many associated with these new concepts. Further it has mainly concentrated on blue-collar workers in mass production industries. Where labour process theory has looked at white-collar workers, it concentrated on performance measurement and the appraisal process. However, a progressive labour process view has a definite analytical quality for explaining such phenomena as PRP.

In the remainder of this chapter, I will set out the above in greater detail. Using the analytical framework in Figure 2.1 gives the following main headings from which to work and build upon a combination of the academic literature and labour process theory to provide possible directions of explanation based on the 'politics of pay'. First, the initial practitioners' concerns will be analysed. Second, the academic research in the area to date will be reviewed. Third, a review of the nature of control. Fourth, the nature of contingency theory, and finally, the various elements involved in the politics of pay will be discussed. My
overall conclusion is that using a synthesis of the above factors will highlight the bargaining, uncertainty and power relations involved with the use of PRP schemes and the re-negotiation of control that they involve.

2.1 Practitioners' concerns with PRP

Discussions of practitioners' concerns with PRP has taken a number of forms: some have highlighted the spread of schemes, consultants prescriptive literature stressed the importance of preparation and so forth, personnel practitioners have provided accounts and there have been academic surveys and case studies (Kessler 1994). Resulting from this, the opinions of these interested parties tend to fall into two camps, the second being by far the most popular: those who are sceptical about what PRP is supposed to achieve, including whether its objectives are actually possible, and those that realise from the case study evidence that not all is well, but instead of accepting these schemes for what they are, argue that if only 'this or that' were done everything would be all right. Both reward management and performance management are good examples of this (i.e., they don't question the theoretical underpinning, merely the process of implementation). Professor Caines, the former Director of Human Resources for the NHS executive and influential in government thinking on PRP in the 1980s, even goes as far to argue that all of an individual’s pay should be determined by their performance in order to make these schemes work correctly (Radio 4 1993).

Importantly, this, in turn, set the scene for the nature of research into PRP throughout the 1980s and 1990s. There has already been mention in Chapter One of the spread of schemes and their changing nature. What we will highlight now is the debate on PRP to date. For this we need to concentrate on the prescriptive literature and then on attempts by academics to clarify how the schemes have actually impacted.

The increasing popularity of PRP reflects pressure from two main sources. First, companies were encouraged to use such schemes by management
practitioners and consultants. Second, the government directly encouraged such schemes through their economic philosophy. In the mid-to late 1980s in particular PRP schemes looked as though they were could solve an array of problems. Since then, a range of variations - reward management, performance management and competency pay - have been attempted in a bid to make PRP schemes work. Many of these different approaches have been promoted by various consultants and practitioners, but essentially, as Smith (1993) notes, any discussion of PRP must also include such issues as the enterprise culture and the rise of HRM as a strategic model. However, while doing so any of these concepts need 'to be tethered to the post of objectivity’ (Smith 1993: 46) in order to separate rhetoric from reality.

In the private sector, PRP proved attractive in an era of increasing competition and restructuring. Organisations wanted much more flexible pay systems in order to meet the rapidly changing conditions and structures. The Confederation of British Industry (CBI), for example, saw a vision of an open-ended contract where every individual while at work remains free to decide on the contribution he/she is going to make. Within this approach, PRP was adopted as a cost-effective means of improving motivation and efficiency (IDS 1991).

Armstrong (1995) has argued that there are three propositions to justify PRP:

- it is an effective motivator,
- it gives a clear message to employees about what the organisation believes in, and
- that it is right and proper for pay to be related to the contribution of the individual.

Linking these concepts to the ‘entrepreneurial spirit’ placed PRP on the political agenda of Thatcherism. In the 1987 Budget speech, Nigel Lawson commented that
‘pay is now deemed to be a reward and as such is a key part of the so-called enterprise culture’ (Smith 1993: 47).

The perceived growth of PRP schemes left academics and practitioners with the job of assessing whether in fact they worked, including an initial assessment of what they were supposed to achieve. Most of the original research was actually carried out by, or on behalf of, the consultant and practitioner groups themselves. Brading and Wright (1990), for example, argue that pay is one of the strongest communicators of how much an organisation values the contribution of an individual or group. The single most important objective is to improve performance by converting the paybill from an undiscriminating ‘machine’ to a more finely-tuned mechanism, sensitive and responsive to the company’s and its employees’ needs. The achievement of these objectives would necessitate the nurturing of a performance-orientated culture which stresses pay for results, rather than effort, and rewards the ‘right’ people including:

- focusing effort where the organisation wants it,
- supporting a performance culture,
- emphasising individual/team performance,
- strengthening the performance planning process,
- rewarding the ‘right’ people, and
- motivating all the people.

For an organisation to achieve the above, the characteristics of a successful scheme should be as follows:

- business objectives must be translated into meaningful criteria,
- clear understanding of jobs,
- significant rewards,
- differentiation, and
- communication and training.
This sort of approach gave PRP a strategic outlook and fitted well with the debates over the strategic content of HRM. For example, Brading and Wright (1990) argue that PRP is one of the most dynamic issues of HRM. Others argue that the definitions involved in the work of Sisson (1989) and Guest (1988) all place reward management firmly within HRM theory and practice and lent a strategic orientation to reward management (i.e. HRM strategies may merely 'beget' reward strategies. (Smith 1993)). To many organisations, reward management driven by strategic HRM was now giving a glimmer of hope that the management of remuneration was shifting away from 'muddling through' to the pursuit of clear objectives and a more rational decision-making process.

All organisations are engaged in a search for increased added value from their workforce, according to Armstrong (1993), and many see paying for performance as the best means of achieving that goal. Lawler (1988) insists that the primary reason for PRP is motivation and that every scientific study and common sense look says that it should work. He also argues that there is some evidence to suggest that individually-based bonus schemes, relying on objective measures of performance, promote business success, efficiency and gratification of some individual needs (Brading and Wright, 1990; Lawler 1977). These authors indicate that motivation level is dependant upon the attractiveness of reward and that material things are valued in proportion to their size and financial value. Designing a pay-for-performance system can take considerable time and effort but the results can be more than satisfactory. A successful system - one that stimulates employees at all levels to work harder towards achieving the company's key goals - can improve the overall performance of the organisation (Brading and Wright 1990; Lawler 1977). This crudely deterministic view has its roots in scientific management methods in that reward is seen as the primary motivator, and clearly presents PRP as something that is positive to both employer and employee (Smith 1993).

The Advisory, Conciliation and Arbitration Service (ACAS, 1990: 2) echo this interpretation:
“Appraisal related pay in the right context can be of potential benefit to both employer and employee. It can for example, help employers improve the efficiency of their workforce by emphasising the need for high standards of job performance. It is further agreed that it can offer the flexibility to help motivate and retain valuable employees by targeting higher pay at better performance. Employees in turn may welcome a system which rewards extra effort by extra pay”.

Although it is clear that employers should consider whether it is appropriate to their organisation and introduce it only if the primary reason is to improve performance, it is assumed that as long as it is measured against the following criteria ‘all will be well’:

- is it fair?,
- does it enable the organisation to recruit and retain?,
- does it accommodate change?,
- does it measure performance?,
- does it motivate employees?,
- does it encourage productivity?, and
- is it controllable?

The problem with this kind of analysis is that most organisations are unlikely to admit that they cannot meet these criteria. To do so would imply that they are incompetent or less successful than the firms which they may be attempting to emulate. The point can also be seen in the work of Brading and Wright (1990). They argue that successful implementation requires much more than “off the shelf” schemes, performance targets and appraisal systems. However, despite stating that the scheme must be thought about carefully, and despite mentioning that there is no hard evidence of the positive effects on performance, the authors go on to cite examples where companies and even countries which utilise these schemes are successful. This is quite interesting as
many of the schemes in this study look precisely "off the shelf" in character, even to the extent that the managers themselves complain that consultants were attempting to sell them specific schemes.

However, there is little evidence of success or of a long-term approach to PRP. Rather, according to Smith (1993), the essential outcome of a short-term approach are several: a reduced concern with structure (and therefore equity) and the scrapping of the going rate and traditional rules and differentials in pay determination; emphasis on recruitment and retention, particularly for minority groups of key workers; attention to white collar-rewards; and virtual stagnation in the development of blue-collar and sales remuneration methods.

For Smith, the era of reward management does not feature predominantly in the list of positive benefits realised in the Thatcher years. Instead, the rhetoric of reward management provided an incomplete picture of a complex and still misunderstood subject: the link between rewards, peoples behaviour and organisational performance.

Smith is critical of PRP yet even he falls into the trap of seeing some solutions to the problems of PRP in overall terms. Commenting on the change from reward management to performance management, which he describes as the clarification of business objectives and individual and group targets, rebuilding manager-subordinate relationships, new evaluations of teamworking and communication, Smith argues that if the tentative results of this approach are confirmed, then there is hope that in some organisations, managers are actually intervening in the process of managing human resources to good effect rather than leaving various elements of remuneration to do it for them. However, according to Cannell and Wood (1992), few organisations put PRP in the context of performance management, which emphasises objective-setting and formal appraisal, and few have seriously attempted to monitor PRP schemes. Performance management schemes have grown in popularity since the late 1980s when Cannell and Wood (1992) were writing. However, nevertheless it reaffirms
the case that this is further evidence to assess and improve the effectiveness and objectivity of objective-setting and appraisal systems, and to look at the efficacy of PRP schemes.

2.2 Academic research into PRP

The encouragement of market processes from practitioners and the government led to the academic debate into the efficacy of such methods. The approach of the former to PRP left those more serious-minded practitioners and academics with the job of assessing the validity of claims made on behalf of PRP in the following main areas, which are considered the traditional benefits of any PRP scheme: recruitment and retention; motivation; and the pay performance link. Each will be assessed in turn here, although it should be noted that the pay performance link was largely judged through its motivational effects rather than by corporate performance.

2.2.1 Recruitment and retention

Using pay as a means of recruiting and retaining the right kind of staff is hardly a new concept, and therefore only a brief discussion is presented before addressing more important features surrounding motivation and the pay performance link. Economic theory has long posited that increases and decreases in the price of labour are the best means of indicating whether staff are in surplus or in demand and pay systems of the past have all had this as a goal in one form or another. Kessler and Purcell (1992) find that labour market objectives, such as recruitment and retention, tend to compete with those aimed at improving performance or productivity. They argue that it is traditionally held that recruitment and retention is better addressed through adjustments in pay levels (market rates). Therefore, the use of PRP to address labour market pressures would suggest that they were not entirely being used to reward performance. However, a notable feature of all the companies in Geary’s (1993) study and a number of those in Kessler and Purcell’s (1992) work was that they attempted to match or lead the field in terms of the levels of remuneration in both the local
labour market and their particular industry. PRP, for them, was considered to be an important means of attracting and retaining well-performing employees. Thus it is not clear which was the main objective - labour market factors or performance - or whether they are compatible.

2.2.2 Motivation and reward

Many of the issues linking PRP to motivation have been covered elsewhere (Marsden and Richardson 1994; Thompson and McHugh 1995; Thompson and Buchan 1993) so only a brief overview of the findings is needed here to set the scene as to why a particular line of enquiry was followed. A brief examination of the nature of motivation in general can be taken in order to stress that motivation is a complex notion which requires more in-depth consideration than can be given via attitudinal surveys.

Cannell and Wood (1992) argue that PRP is a motivator, but only one among many. They comment that it depends on the amount at stake and it is possible that it can actually be a demotivator if the money ‘is not right’ or if the average person does not get a share. Many other conditions need to be ‘right’, and insufficient consideration may be given to the effects on the average performer if they are not. For example, people need to feel that a change in behaviour will produce sufficient reward. However, it would seem that more work is needed concerning the effects of PRP on motivation. Several studies set out to assess the effects of PRP on motivation in particular.

One of these, in a large public sector organisation, was undertaken by Marsden and Richardson (1994). Their primary aim was to analyse what they saw as the main goal for PRP schemes - motivation - using expectancy theory and goal-setting theory. First, expectancy theory stresses the importance of the link between certain behaviours and the rewards accruing to those behaviours. The authors examined whether employees thought that they could change their behaviours, whether they felt confident that a change in behaviour will produce the reward and whether the rewards were valued sufficiently to justify a change in
behaviour. Their conclusion was that only the first condition was met. Secondly, using goal-setting theory, they set out to see whether employees improved their performance if goals are set more clearly. Again, the results were negative except for the raising of staff awareness of objectives. On balance, therefore, the scheme in the organisation they studied was adjudged much more likely to be demotivating. One of the main conclusions is that if the scheme did not improve employee motivation, it is hard to see how it could improve performance. Further, the scheme was not seen as fair, and for management to improve the scheme, they would have to do something to overcome this perceived unfairness.

In 1997 French and Marsden carried out a return study in the same organisation to establish how the scheme was working after eight years. It was found that the scheme had completely changed since its initial introduction to a performance management system which incorporates the organisational objectives into personal objectives. However, despite this, the overall results were still very similar to the original study. The new scheme’s guide book put stress on the contract principle, but two-thirds of staff felt pressured to accept management’s performance objectives without discussion. Staff were also more doubtful of the scheme’s ability to recognise good work than they were of its more bureaucratic predecessor, and three-quarters of staff believed that there were quotas in place despite it explicitly being said that this should not be so. The perception that ‘Performance Management’ was a device to get more work out of staff had been greatly reinforced.

Thompson (1992) also looked at motivational effects. His research examined the impact of schemes on employee attitudes in three different organisations, as well as employer claims as to the main goals of PRP. He found that employers posited four main goals for the use of PRP:

- it motivates,
- changes the culture of the organisation,
- rewards employees fairly, and
• is a retention tool via reduced turnover.

Examining the results of employee attitude surveys, he concluded that the schemes were more likely to demotivate as there was too much variation in the definition of high performance, there was uncertainty whether the schemes improved culture (those with the highest ratings were more likely to be positive about culture than those with low ratings) although culture was mainly described in a positive way around concepts of trust and communication and employees were uncertain as to whether PRP rewards fairly although high performers were happier about it than low performers.

Before looking at any inferences we can make from these studies, it is worth taking a closer look at the nature of the links between motivation and reward. It is often said that companies use PRP because they believe that by offering the possibility of more money this will be incentive enough to make employees work harder. Such a view is simplistic for a number of reasons. First, as a means of explaining employee behaviour, it has limited value and ignores expectations, perceptions and needs (Kessler and Purcell, 1992; Steers and Porter, 1979). Second, it is highly questionable whether employee perceptions of the performance/reward link underlying the motivation approach can remain undistorted by the on-going political, social and economic workplace pressures influencing the operation of these pay systems. Third, most senior managers are actually sceptical about any direct link themselves (Kessler and Purcell, 1992; Gilman, 1993). Although there is an implicit assumption that employees can be motivated to work more efficiently and effectively, given a direct link between effort and reward, in reality PRP is attempting to address at least other traditional labour market factors (recruitment, retention and motivation). This may 'cloud' the link if, in fact, there was one at all. Both management and employees realise this clearly.

For many organisations, one of the principal concerns is to find ways of raising motivation in a search for ever-increasing productivity levels (Thompson
and McHugh, 1995). However, definitions of motivation can differ enormously. Examining the many different definitions of motivation over the years, Steers and Porter (1987) argue that they all have three common denominators: first, what energises human behaviour, second, what changes or directs such behaviour and third, how the behaviour is maintained or sustained?

Thus, what we are looking at are factors which drive individuals to behave in certain ways, that individuals and their environments reinforce the intensity of this drive and the direction of their energy or to dissuade them from their course of action and redirect their efforts. The basic building blocks of a generalised model of motivation are therefore:

1. needs expectations or desires - Motives can only be inferred and not seen,
2. behaviour - motivation is dynamic. One can never be sure about conflicting desires, needs and expectations and how to measure them,
3. goals - differences among individuals means how to select certain motives over others becomes problematic, and
4. some form of feedback - intensity of certain motives is considered to be reduced upon gratification. When this happens, other motives will come to the forefront. But many also serve to increase the strength of that motive (i.e. a pay rise can increase the desire for another one).

Thompson and McHugh (1995) argue that motivations are viewed as choices made about or perceived predispositions to certain behaviours and outcomes (i.e. things that we want or the strategies to achieve or obtain them). For these authors, motivation can be explained in two ways: first, in terms of instinctual drives which we are motivated to reduce (e.g. when we are thirsty we seek out drink) and secondly, in the mechanistic terminology of stimulus-response when we seek out those things that satisfy us or reward us and avoid those which punish or cost us. Thus, explanations are usually given which either examine the content of motivations or the process through which they are expressed. The former examine what it is that motivates people through concepts such as goals,
needs and motivators and is exemplified in the work of Maslow, McClelland and Hertzberg. The latter examine how people are motivated through the processes by which behaviours are selected, directed, initiated and maintained. Included in this category is the work of Porter, Lawler, Adams and Vroom. Thompson and McHugh (1995: 301) argue that content theory lacks the sophistication to explain the strengths of motivations. To be useful to management it is the relative force of motivation which needs to be measured, as in process theory such as equity theory (Adams) and expectancy theory (Vroom), both of which attempt greater accuracy in prediction and control of behaviours.

However, there are problems with attempting to deduce what behaviours motivate and how they can be used to change behaviours. One of these is that, much the same as we do not consciously think of the numerous and complex series of actions used to make a cup of tea, we do not necessarily take an analytical and conscious part in performing many of the behaviours we go through at work. A second problem is that models of motivation are overly deterministic. They place the responsibility for action on individuals rather than on the context which they find themselves in. A good example is McGregor’s (1960) theory X and theory Y. Theory X refers to those who dislike work and responsibility and focus on economic security and who need to be coerced into effort. Theory Y argues that those who like work will accept responsibility for their own effort and are capable of innovation. However, these theories can be turned into a continuum of managerial attitudes whereby Theory X views held by managers will produce an assumption trap which leads to coercive behaviour on their part and leads to Theory X behaviour by employees.

Thus, most of the models would appear to be establishing minimum conditions under which workers can be mobilised to consent to the nature of work which is demanded of them. This is achieved through a narrow means of conceptualising motivation which supplies enough information about an individual to be useful in engaging their consent for work practices by actively manipulating their perceptions of expectations and preferences. Information about
social and material rewards or perhaps the danger of redundancy can be manipulated to reinforce control practices by getting workers to internalise the rationale for increasing production. What is effectively happening here, according to Thompson and McHugh (1995), is that the extrinsic factors, those largely outside the control of the individual such as pay and conditions, are being translated into intrinsic factors. These include those processes assumed to be under individual’s control. For instance, their satisfaction and motivation are making employees personally responsible for their own situation.

Most motivation theories work on the principle that individuals tend to seek pleasure and avoid pain (i.e. they are rational maximisers (Steers and Porter 1987)). However, because this is very simplistic, there is a need to examine further the nature of motivation. Attempts to motivate are usually founded on the assumption that workers need to be led and that management also needed to look at ways of extracting an amount of consent. This means that workers need to be influenced to co-operate because of their alienation from the productive process. Thus, historically managerial approaches to motivation tended to evolve from using fear of punishment during the period of the industrial revolution to a ‘traditional’ model of motivation based on scientific management methods of ‘economic man’. The human relations model of Mayo then added the concept of ‘social man’. Subsequently, with the human resources model, more sophisticated concepts such as TQM and JIT evolved making employees responsible for monitoring their own performance.

Herzberg (1968) makes a very important point when he argues that in attempting to influence someone to work harder, it is the management who is motivated rather than the worker. This stems from the nature of the employment relationship in that the basic response to the question of how to get a worker to do what you want him/her to do is ‘kick him (or her) in the arse’ (KITA). Hertzberg called this the ‘negative KITA’ and this relied on punishment and coercion. Because the negative KITA tended to cause direct conflict, some organisations moved on to ‘positive KITAs’ such as participation, training and communication.
Management by objectives would be considered one such source of positive KITA. Thompson and McHugh (1995) argue that, nonetheless, these positive KITAs are all likely to be short term but that this does not matter to management as long as they can rename it and put it under a different construct. They suggest that as long as the other product is sufficiently distinctive enough to carry out its function as an ideological cover story for yet another technology of regulation, then this will suit them. What is inevitable is that consultants will continue to charge ever-increasing fees for designing and implementing them.

Thompson and McHugh (1995) argue that changes in technologies, tasks and job designs produce pressures for structural change which, in recent years, have been promoted through attempts to redefine cultural characteristics aimed at producing adaptive behaviours on employees. Such structural and cultural pressures, driven by the ideologically-legitimated need to change tasks and technologies coupled with the long term failure to control intrinsic motivation have produced a panoply of modern day KITAs.

“From the desperate attempts to reassert control over rewards in PRP and share schemes through guru based initiatives on autonomous working and quality circles to the bludgeon like tools of restructuring and corporate culture. What success that these initiatives have is not in the producing general job and work motivation but in the production of short term movement towards increased effort on specific tasks”. (Thompson and McHugh 1995: 311)

If there are no long term rewards for the increased performance in terms of self-expression, esteem, worth or consistency then initiatives will suffer diminishing returns like other KITAs. The only route which appears to be left for increasing general motivation lies in the control of meaning and of group-based socialisation into work roles as the main psycho-social factor subject to external manipulation. Kohn (1993) makes the valid point that rewards tend to buy temporary compliance, indicating that the problem has been solved.
The key point to make is that, while attitude surveys can provide extremely useful information, motivation is far too complex a subject to deduce from them alone. There is a need to look at the interplay of organisational and social forces. It also highlights that the pay-performance link is similarly a complex notion.

2.2.3 The pay-performance link

The subject of fairness as already been covered extensively (Kessler and Purcell, 1992; Geary, 1992) but it is worth setting out the main arguments in terms of how they may relate to PRP. PRP is thought to be based on an underlying notion that establishing a clear link between effort and reward will improve performance. That employees make differential contributions leads to the assertion that reward should reflect this fact and that it is a fair way of distributing reward. Yet, as Kessler and Purcell (1992) argue, where employees associate fairness with equality, this assumption seems less plausible. Geary (1993), whilst highlighting similar problems, also found that notions of equality and equity, rather than strengthening the principles behind PRP, were competing ideologies which caused resentment and confusion over what these schemes were supposed to achieve. Many of the case studies found that PRP schemes involved high levels of demotivation, especially in less structured environments (Edwards, 1997).

One of the major problems with PRP is that, even leaving aside its simplistic assumptions about motivation and fairness, much of what passes for PRP is not based on actual performance. For example, Casey et al. (1992) find that only two to three per cent of gross national earnings are accounted for by incentive pay of which PRP is only a part. Another survey found that PRP accounts for between two and eight per cent of relevant paybills (IRS, 1991). This is because most schemes work on the basis of some kind of incremental progression. Employees have a basic salary band, then either all or part of their increase within this salary band is determined by the performance element. This means that difficulties may arise from attempting to provide incentives whilst at the same time maintaining salary structures. This need to ensure a balance
between the two can create long term difficulties and indicates that employers attempt to solve an array of labour market objectives. For example, Cannell and Wood (1992) argue that PRP can encourage short termism. Some ill-thought out schemes may adversely effect the medium and long term well-being of the business. Steps can be taken to discourage this, for example, by introducing long term (but sometimes less quantifiable) objectives. However, there is greater temptation because of budgetary constraints to utilise short term measures.

A reward system is a powerful indication of a company's philosophy and approach to workforce management, and as such, has to be seen as being fair, equitable and consistent (Gunnigle 1990). However, if a scheme is unable to meet all these criteria, it may well signal the wrong messages to employees. In terms of PRP's effects on overall costs, it would seem that PRP seems to be self-financing in most cases. Some believe that PRP provides better value for money by encouraging better performance. Others, however, find it difficult to assess PRP's impact on the overall salary bill. Furthermore, there is some indication that companies may not know whether PRP improves individual or organisational performance (Cannell and Wood 1992).

Few organisations have formally evaluated PRP schemes. While they believe that PRP does improve individual and organisational performance, they find it difficult to substantiate this view. Exit interviews, the compilation and comparison of performance statistics between departments and attitude surveys can help to provide evidence of how the schemes are working. However, that budgets are not endless pits may actually constrain PRP's proper distribution, although Cannell and Wood (1992) say that few organisations have forced distributions. It would seem that in most organisations, however, a typical distribution emerges each year and in most the budgeted salary bill acts as a constraint. Indeed, Cannell and Wood advise that target distributions may help to achieve consistency between managers.
Cannell and Wood also indicate that it may be difficult to even establish whether individual performance can be measured objectively. Particularly for those not used to doing so, it can be difficult to set measurable and realistic targets, particularly where financial targets cannot be used or are inappropriate. It can be difficult to achieve consistency between managers, both in terms of setting targets and in terms of appraisal. PRP thus puts a new emphasis on the effectiveness of appraisal. This requires training and monitoring.

Some organisations attempt to counter problems of appraisals being turned into negotiating sessions by separating the performance review from the pay review. Research by Bevan and Thompson (1991), for example, discuss a development-driven and a reward-driven model of PRP. They write that if performance management is to meet any of its expectations, greater emphasis needs to be placed on the development-driven model (IDS 1991).

There have been a number of works which seek to directly assess the effectiveness of PRP on performance. One of these (Thompson 1992) tested five different hypotheses concerning PRP’s effectiveness. These hypotheses revolve around employee involvement in the schemes, the fairness with which the procedures are carried out and the distribution of the rewards, whether feelings of collective values impacted on the schemes, the nature of the management subordinate relationship and the nature of hierarchical relationships and whether control over one’s own work plays a role in how individuals are motivated. The main conclusions are fivefold.

First, there is some indication that unions were being marginalised and employers were communicating directly with employees. However, the situation was not this simple. This was an attempt to take unions out of the effort bargain and no more than that in some cases. Thompson indicates that training can improve employees’ perceptions of PRP. However, we might question how he know this if he is not sure what type of training is being carried out. There was also no difference in commitment to the scheme, whether employees were
informed about it or not. In general, this analysis is problematic because the
direction of causation is always in doubt with survey analysis and it is difficult to
see how this can be deduced without knowing the exact nature of the training.
Second, by far the most influential factor was the relationship with the manager.
Manual workers felt this relationship was a lot worse than non-manual workers.
Not much relationship was found between the size of the award in relation to
perceived effort levels, other than that poor management can negatively influence
employee behaviour. Third, the author concluded that there was no relationship
between feelings for PRP and whether the employee was a union member or not.
Fourth, it was concluded that poorly-trained or incompetent managers can provoke
feelings of low commitment. Finally, managerial staff are slightly likely to be
more attached to schemes than the rest. All staff held the same negative views
with regard to PRP, but non-managerial employees hold them more strongly. All
in all this research did not paint a very positive picture of PRP.

Another piece of research attempting to arrive at an explanatory theory of
the effectiveness of PRP schemes is that of Lewis (1997). Lewis studied three
different organisations from the financial sector in an attempt to identify the
processes by which the procedure is carried out. Examining the interaction of the
following categories, Lewis found that the following stages were not applied very
successfully. Where they were, he concluded that the performance management
process would have been just as useful without the PRP element:

Stage 1 Setting objectives
Stage 2 Measuring performance
Stage 3 Giving performance feedback
Stage 4 Translating performance into reward

Lewis studied the 'soft' aspects of PRP, including the concept of
communication at all times. He found that the main weaknesses of objectives
were the narrowness, imposition and number of objectives. Employees felt that
the whole process was one of something 'done to them' rather than a shared experience.

2.2.4 Objectives for change

With the exception of those commentators who argue that PRP can be made to work better if organisations change the structure of their schemes or increase the amount of reward they pay out, very few positive effects have been noted against the traditional uses highlighted above. However, research has begun to highlight other potential uses for PRP schemes which may provide a starting point for examining the true nature of PRP. Identifying and putting these factors together give the seven additional objectives listed on page 23. Very few researchers, however, have had the opportunity to take these factors forward, both in a systematic or combined fashion. Where they have examined such factors, it is mainly the types of argument below that are reached.

The individual nature of PRP schemes has led to an argument that some companies are attempting to change their employment relationship in ways which may strengthen links with individuals and weaken their unions through PRP. For example, Kessler and Purcell (1992) argue that the mechanisms of these schemes involve a restructuring of the employment relationship which could result in the greater individual managerial control of staff. However, Geary (1993) noted that the companies in his study were attempting to create a collective identity around teamwork whilst at the same time using PRP to differentiate individuals' work. He noted that management did not see any inherent conflict between the two approaches, and argues that this may have been no accident as PRP may have been used to 'dissolve any dysfunctional solidarity which may have developed around teamwork'. In other words, to signal that the organisation is willing to bring about a change in the culture of the organisation may be just as important as actually bringing the change about. However, it is often argued in the HRM literature that PRP is a means of strengthening a company's internal labour market. Walsh (1992) noted that the growth of decentralised bargaining and individualised pay was weakening rather than transforming many of the collective principles
underlying internal labour markets. For example, concepts like teamwork, which are aimed at building employee identity and thus aligning them with the goals of the company, were hindered by the notion of individualism involved with PRP schemes. This conflict between the notions of collectivism and individualism was a problem noted in many studies.

Cannell and Wood (1992) note that PRP may not be appropriate to all organisational cultures. This is a particular concern in some parts of the public sector. The authors argue that PRP alone should not be used to promote cultural change. There are also too many factors outside the employees’ control which may affect their perceptions of PRP. For example, downturns in the economy can reduce individuals' performance pay although they may be working harder to compensate. Thus, it is also important to have the base pay correctly assessed against the market. However, people should try to mitigate outside influences, and this can be taken into account when assessing performance. Some organisations allow objectives to be reviewed in the light of outside events or changing priorities. Others do not encourage this. There is also the question of how much people should expect to get in a recession compared with a period of boom (i.e. should good performers get less and average performers nothing or should rewards be toned down respectively). All of these issues impact on the effects of PRP on motivation.

Because the primary concern to date has been with examining the three purported benefits of PRP, there has been little attempt to put PRP within a theoretical perspective or to link it to the overall objectives of change and restructuring (Kessler 1994). The starting point for researching these issues is to begin where Kessler and Purcell (1992) have left off. They show that it is possible to identify the structural factors involved in these pay schemes by examining them through three dimensions. The three dimensions are the nature of the performance criteria, the method by which the individual's performance is assessed against this criteria and the method through which this assessment is linked to pay. By assessing the schemes against these criteria, Kessler and Purcell are able to
highlight that there may be more involved with these schemes than has previously been thought.

As was mentioned above, in a bid to fill the theoretical void remaining because of the many questions left unanswered by research into PRP, Kessler (1994) begins to examine why organisations manage PRP the way they do. Using a comparative case study method, which he argues has rarely been used, he compared two case study organisations using the following headings: background to the schemes, managerial objectives, design and implementation and the operation and impact of the schemes. It was found that there is still a tendency to talk about PRP schemes in a generalised way. Kessler argues that, despite the volume of descriptive literature on PRP, it still tends to be routinely referred to as a technique indicative of newer HRM approaches or illustrative of the shift from individualism to collectivism. His research attempted to take the debate forward by providing some clues as to why variations exist and it found that organisations are very much bound by their own histories.

To summarise from the research to date, two main points can be highlighted. First, PRP schemes are supposed to improve performance rather than directly affect the recruitment and retention of employees. Indeed, recruitment and retention is better achieved through market rates rather than through hindering these schemes in terms of improving performance. Again, with motivation there is little evidence which supports the use of these schemes. In fact, the evidence points firmly towards de-motivation. This is because, as highlighted above, notions of motivation and fairness are more complex than those held by management. Second, the seven factors mentioned on page 23 highlight the possibility of both explicit (financial control) and implicit (changing work/organisation and culture) objectives. What the results are beginning to show is that in those areas where PRP is used for its traditional purposes, as highlighted above, the schemes tend to have a negative effect. Where PRP is used for other purposes the results are rather confused, indeterminate and misunderstood. This, I believe, is because studies are drawn into examining a link between PRP and
motivation when we already know that motivation is far to complex a notion to be solely associated with pay alone. The evidence points to the inference that while pay may not necessarily motivate, the absence of it or confusion over it will most certainly demotivate. Thus, the causation has a higher possibility of being negative than positive. What the above highlights raises a fundamental question. If the schemes have such negative effects, why do employers continue to use them as much as they do?

It is only when pay is viewed as a control factor or as a management choice of organisational objectives that we can start to make sense of the use of PRP. Where these schemes seem to provide partial success is in those areas which are linked to management choice or control. It is what is happening in this sphere that is of most interest and can provide the real rationale for their introduction (i.e. they are a means of enabling control within the internal and external pressures acting upon the organisation).

By starting with the concept that pay concerns control over the effort bargain and the problem of double contract (Baldamus, 1961; Lupton and Gowler, 1969), the continued popularity of PRP in the light of the growing evidence against it may begin to make some sense. Annable (1980) gives a nice exposition of the problem of double contract. It draws upon the distinction between labour and labour power (i.e. labour cannot simply be hired and set to work). The employer has to use a set of both coercive and motivational policies in order to get their employees to work as they would wish. With this in mind, rather than all these schemes being doomed to failure (Kohn 1993),

"Perhaps PRP is being measured against the wrong targets? Instead of placing it at the bottom of schemes that motivate it should be placed at the top of schemes that lead to control"(Thompson M. Radio 4, 1993).

This is also a direction hinted at by Kessler and Purcell (1992) and Procter et al. (1993) but not as yet developed.
2.3 Control and the labour process

Thus far, we have examined PRP in terms of practitioner reasons for its use and largely in isolation from other organisational factors. Yet we saw that there were seven possible objectives which link PRP with wider organisational issues. We can therefore begin the search for ways of explaining such behaviour in theoretical terms.

In several places throughout their research, Kessler and Purcell (1992) mention the possibility of control being a major factor involved in the use of PRP. For example, they describe one of the two traditions which inform their mode of research as follows:

The first tradition places emphasis on managerial control and provides an insight into the apparently unstable character of pay systems. It sees the design and operation of pay structures and systems as central to management as well as employee attempts to control a wage-effort bargain whose terms can never be fully spelt out in a formal contract (p.17).

Later, in less direct terms, control implications are mentioned:

More interesting perhaps than these variations on the traditional recruitment, retention and motivation themes are three further aims which appear more geared to using the potency of pay systems as part of managerial strategies for promoting broader organisational change. The first of these objectives is the attempt to use individual performance related pay as a means of facilitating change in organisational culture. The very concept of PRP is viewed as encouraging a change in organisational values, of sending a message about the kind of company we are. PRP as a pay system is seen to have characteristics which accord with the company image in terms of its flexibility, dynamism, entrepreneurial spirit and careful allocation of resources (p.21).

More directly, they write that
the very mechanics of these schemes involve a fundamental restructuring of the employment relationship which can result in greater managerial control over staff (p21).

These themes of control are present in the literature but undeveloped. A reader of Kessler and Purcell (1992) may find it difficult to decipher what 'control' means within the article. There is no direct answer, but implicit here are ideas of:

- control as creating order and manageability out of chaos - this may be a non-zero-sum aspect;
- control as linking pay to organisational goals;
- control over staff, and the restructuring of the employment contract, which may bring gains as well as costs to both sides.

Control of labour is usually seen as synonymous with labour process theory. Labour process theory argues that the contractual relationship at work requires the employer to be able to secure from the employee certain levels of effort. This is because the employer only buys the right to the employee's labour power and not the actual level of labour. To be able to secure a certain amount of labour can be costly and sanctions may be needed to ensure that work is performed, examples being the threat of job loss and direct supervision (Edwards 1986).

Early labour process theory (Braverman 1974) argues that in the twentieth century there was a tightening of control by employers through Taylorisation and scientific management techniques which de-skill and standardise work tasks so that the relationship between effort and pay can be more precisely specified. The assumption was that employees are the unknowing recipients of employer control techniques, but Braverman fails to take account of workers' behaviours, arguing that only craft skills acted as an obstacle. Yet 'control is not an end in itself but rather the capacity to work established by the wage relation, into profitable production' (Thompson and McHugh, 1995: 113).
Friedman (1977) attempted to rectify this by arguing that workers are creative beings who, being alienated from the labour process, may resist management authority. Therefore, management can use two types of strategies to exercise authority over workers. 'Responsible autonomy' aims to use the creativity of labour power while 'direct control' limits the variability through close supervision. In Friedman's account, workers do not just resist but are active agents in the process. However, the problem is that both 'responsible autonomy' and 'direct control', while portrayed as opposing typologies, cover a wide range of techniques which may or may not appear together. Another attempt at classifying modes of control was made by Edwards (1979). He argues that systems of control evolve through periods of increasing tension and are then followed by a 'relatively rapid process of discovery, experimentation and implementation in which new systems are substituted for older primitive ones' (1979: 18). 'Simple control' (similar to Friedman's 'direct control') is direct via the power of the entrepreneur and was said to evolve in the nineteenth century. 'Technical control' came towards the end of the nineteenth century along with the separation of ownership and control and the development of more mechanical means of controlling the pace of work, especially in the production industries. Finally, bureaucratic control was defined by the institutionalisation of hierarchical power - the rule of law. Edwards argues that each system corresponds to a definite stage in the development of the firm.

The problem with both Friedman (1977) and Edwards (1979) is that the typologies are far too simplistic and assume that an organisation will only use any one mode of control at a time. They also assume that employees react only to the actions of employers and Edwards (1979), in particular, fails to recognise that coercion, resistance and consent can all interact in a dynamic way to produce indeterminate outcomes. The labour process debate has moved on somewhat since Braverman to recognise some of the above factors and the fact that employers have many concerns and goals other than those concerning labour (Burawoy 1979; Edwards 1986; Thompson and McHugh 1995). Yet even these
authors warn against the tendency of labour process theory to put control into neat categories.

However, labour process theory is not the only discipline to recognise control (i.e. the idea of control is no stranger to the management literature). The study of control and co-ordination aspects, especially within MNCs, has created a great amount of interest for decades. Scott (1987) argued that all collectivities control their members, but that it is one thing to set goals for them and another to see that energies are directed towards their accomplishment. Child (1973), for example, distinguished between bureaucratic, personal and social types of control. Bureaucratic control is formalised by a set of explicit norms and procedures, personal is based on direct close supervision and social control consists in achieving that managers and employees identify with and commit themselves to the company's goals and principles. Other attempts include control as an evaluation process based on monitoring, evaluation and rewarding of behaviours and output (Ouchi, 1977), co-ordination systems as an administrative tool for integration (Martinez and Jarillo, 1989), and of course Williamson's (1985) conceptualisation of headquarters control over subsidiaries.

Although some of the existing literature on PRP does recognise control as a legitimate concept involved with pay systems, there as been little attempt to examine how it might work in the case of PRP. We know from the research of others that control takes many different forms, pointing to the fact that it may be contingent on other factors within the organisation. It is, therefore, worth examining the nature of contingency theory and how it may be incorporated into an explanation for the use of PRP.

2.4 Contingency theory

Many of the factors discussed above show pay as a continuous process linked to the various environments in which the organisation and its employees operate. To a great extent, this means the situation in which the organisation
might find itself is contingent on the social, political and economic situation in which it operates. For example, one prediction may be that that the outcomes of any PRP scheme may be very different in varying organisations even if the schemes are largely the same. To some extent, this will become a recurring theme throughout the thesis. However, this is not to say that I will utilise contingency theory in terms of the strict meaning of the word.

Contingency theory posits an appropriate functional fit between environmental settings and internal organisational structures. It predicts that similar industries, or similar technologies, should have similar schemes. It appeals because of its normative practical application and because the ‘if-then’ formula constitutes an explicit break with the ‘one best way’ orientation of existing theories while retaining powerful guidelines for what power holders should actually do to sustain effective organisation (Thompson and McHugh 1995). By the mid-1970s it was the dominant approach applied to specifics such as payment systems (e.g., Lupton and Gowler 1969). Lupton and Gowler’s (1969) primary purpose was to provide a means by which any organisation could select their ideal payment system. Although the authors note that there are many factors which need to be taken into account, they still argue that a profile of the firm can be gained by taking four main factors - technology, labour markets, dispute procedures and organisational structures - and they split these into 23 different dimensions, thus positing a ‘fit’ between the organisation and a pay system. This kind of approach proved immensely popular with companies and is still one of the most influential methodologies of viewing which pay scheme might be suitable for which organisation. In effect, however, it was still overly deterministic.

Nonetheless, the contingency approach was somewhat revived with the onset of HRM. A variety of the strategic HRM models are contingency models. There are essentially three main models:

*Business life cycle* - This tailors human resource policy choices to the varying requirements of the firm at different stages of its life cycle;
Strategy and structure - This shows a range of appropriate HRM choices suited to different strategy/structure types ranging from single product businesses with functional structures through diversified product strategies allied to multi-divisional organisational forms to multi-product companies operating globally; and

Matching business strategy and HR strategy - This suggests that an organisation’s HR approach is only ‘strategic’ if it fits with the organisation’s product market strategy and if it is proactive in this regard. In terms of PRP, this would mean that the emphasis in the scheme should reflect the various priorities of the organisation. For example, if it were innovative, it might go for long term measures, whereas if it were on a cost-reduction business strategy, it may go for short term measures such as close monitoring and control and an appraisal system that rewards and punishes in accordance with these measures (Sisson and Timperley 1994).

However, there are basically two schools of thought in contingency. One that says that matters are mechanistic so that they can be solved. These theories have been rightly criticised for environmental determinism when in fact there is a degree of discretion for power-holders and decision-makers. There is sufficient slack in most organisations to allow different strategies to be considered or pursued. That is, technological determinism does not fit the picture of most studies (Thompson and McHugh 1995). The other, disagrees with contingency theory as a set of measuring instruments and precise predictions about specific structural features for a particular task, its size and environmental attributes but may be useful as a conceptual and analytical framework which can be used by those involved in organisational design to aid them in their analyses (Francis 1994).

What this research argues is that one can acknowledge the role of contingency in that all organisations are driven by their historical background and the social and economic contexts within which they are based, Yet this is not a process of determinism. Randell argues that a good appraisal system must take a
contingency approach in that it must match the needs of the organisation and the expectations of employees. (Randell 1994). What in fact happens with the schemes, however, is that similar schemes are in different industries thus suggesting that to an extent schemes may be a function of consultants rather than the industry. At the same time, similar schemes turn out differently because of the social and historical backgrounds of the companies concerned.

2.5 The Politics of Pay

Thus far, it has been suggested that PRP may not provide the benefits purported to constitute its traditional uses. However, the identification of seven additional objectives suggests that PRP may be better viewed as a control mechanism, whose nature is contingent on the organisation and its context. This is not contingency in a deterministic fashion, however, rather, it reflects that organisations have a degree of choice within organisational boundaries. This means that the research recognises those factors already highlighted by other practitioners and academics and combines them with a progressive labour process theory and contingency theory which recognise the political nature of pay. It is the politics of pay to which we now turn in order to clarify the picture and to identify the main lines of inquiry for the rest of the thesis. This can be highlighted through an examination of the three ‘P’s’ of the politics of pay: within the workplace, at the micro-economic level, and at the macro-economic level.

2.5.1 Politics with a small ‘P’: Performance, effort and control

“Reward management has been treated as something tangible, particularly by management consultants and Conservative governments, and has been touted as a new input to management practice which can create improved economic performance and wealth and as an ingredient of the process of change to the enterprise culture across a variety of employing organisations” (Smith 1993: 45).
As the above quote highlights PRP is essentially about improving the performance of the organisation, yet as will be shown below the complex nature of the employment relationship means that pay is often utilised to address more than this straightforward relationship.

Linking pay to performance is not problematic in the world of orthodox economic theory because the level of pay of any worker is determined by the forces of supply and demand. Anyone paying above the competitive market rate would find that they would go out of business due to higher costs while anyone paying below the competitive rate would find that workers would leave their employer for higher paying employment (Brown et al. 1995). In the real world, however, we know that there are marked variations in efficiency and a range of indeterminacy in pay rates (Lester 1952), even for workers in the same occupations and districts (Brown et al. 1995).

Variations in pay have usually been associated with the availability of an amount of monopoly power, either on the part of the employer, employee or both, which often leads to the assumption that individualising these relationships will bring them closer to the competitive model of wages. As such, incentive schemes are supposed to be about keeping employees' effort as close as possible to the level for which the wage is paid (Baldamus 1961). That is, where possible, the wage paid to each employee matches the amount produced by the employee directly through their marginal productivity and indirectly through such methods as time-and-motion study. Piecework is a good example. Piecework pays workers according to the number of items that they produce and relates all or part of their money to the output produced in direct linear relationships (Brown 1973). Effort controls, on the other hand, once established, stabilise the average level of individual effort. To change the level of effort, one would need a change in the systems of administrative control. As such, variations in wages and efficiency are associated with different techniques of administration (e.g. coercion, authority, discipline and power). The growth of internal labour markets provides just one indication that the firm uses its organisation rather than its market relationships to
motivate employees (Brown et al. 1995). Thus, it would not be too difficult to argue that PRP represents a failure (or perception of failure) of one system of administration - 'bureaucratic' - and a search for another new one - 'the market'.

Early labour process theory was overly simplistic and neglected to see that employment relations are a dynamic process in which 'management' is not necessarily synonymous with capital as the exploiter and 'employee' is not necessarily synonymous with labour as the exploited. Both management and employees can be exploited and workers may also consent to certain behaviours as much as management may consent to some acts of worker control. Prior to the labour process debate, however, there was already the beginnings of a rich tradition for analysing the nature of the employment relationship (Baldamus 1961; Behrend 1957; Hyman and Brough 1975). This tradition proved successful in analysing other pay systems will be utilised to analyse PRP.

For Baldamus (1961), the organisation of industry revolves around the administration process by which the employee's effort is controlled by the employer. The reason why this problem has received little attention is that it has been customary to describe matters in terms of efficiency. Efficiency is usually preferred because effort is neither easily measured nor defined. So the problem of 'how' and 'what' is produced becomes one of definition, concerning what interpretation and terminology are applied to the measurement of performance.

Performance is usually used interchangeably with concepts such as productivity, profitability and efficiency. All of these concepts have their own separate definitions, but for simplicity, we will assume that an improvement in performance is synonymous with efficiency. Economic efficiency in the use and allocation of resources, however, requires that any given output is produced at the minimum cost (i.e. both waste and technological inefficiency are to be avoided). As such, this means that it is in-feasible to change the existing resource allocation in such a way that someone is made better off only at the expense of making someone else worse off.
Given this, it is also possible for an employer to have higher productivity or profitability whilst simultaneously being economically inefficient. This is because budgetary controls utilised by firms force systems of financial control and assert authority by organisations to use labour in the most cost effective way, but usually within a short-term framework. The complexity of the situation, however, all too often means that when employers say they are using labour in the most cost effective way, this usually translates as reducing the amount of and/or increasing the effort levels of employees. Thus, there is a constant readjustment of attempts to define efficiency and hence effort and PRP may be seen by some as a conceptual way of aligning the two.

This problem is further confused, however, by the fact that in terms of pay, there are at least two separate mechanisms at work in deciding what compensation should be allocated to each person. One is the occupational element, the other the employment element. The former refers to the skills and experience utilised in carrying out work while the latter refers to the amount of effort involved in doing the work. For Baldamus (1961), this is problematic because it is impossible to separate the two elements.

Behrend (1957) argues that the use of incentive schemes rests on three assumptions: that effort intensity can be varied, that the financial motive is the most important and that the only way of harnessing increased effort is by utilising incentive schemes. One problem concerns the difficulty in isolating effects of incentive schemes from those arising because of changes to production and technology. The above is justified on the basis that there are different standards of effort for time rates and piece rates. Hyman and Brough (1975), however, make the interesting comment that underlying the method of time wage, there exist no less than that of piece wage, a more or less definite quantitative basis.

The points to make here are fourfold. First, we are dealing with a notion of the effort bargain. Second, there are problems with the effort bargain due to the
subjective nature of effort and the fact that it is extremely difficult to specify in advance the levels of effort needed. Third, this leads to problems of control and how to overcome such problems. This leads finally to the point that employers may have to rely heavily on employee consent for many practices (i.e. the negotiation of consent).

The purpose of introducing incentives for employees is to raise effort but the final effect is the stabilisation of effort at a higher level. The problem is that notions of effort are purely subjective. For example, it is impossible to say whether two workers with the same work performance experience the same degree of effort. A naturally fast worker is likely to experience less effort to perform a given task than the slower worker. To account for these types of differences, one must measure the ‘average worker’ which means that it has got to be a norm acceptable to a group of workers. This implies that the rate must agree with institutionalised norms of effort. For incentives to work, a group of workers as well as management must share the same concept of what constitutes the ‘right’ standard of effort for a given job and the ‘correct rate’ for it. Behrend says that the workers’ reaction to the rate, rather than scientific judgement, determines whether the rate is considered correct, loose or tight. Yet her picture tends to neglect notions of power. However, she still makes the valid point that if the effort bargain is not acceptable, it may lead to conflicting interests. A further problem is that equal effort does not necessarily represent equal marginal productivity, though in incentive schemes, it is equal effort which is rewarded. “A policy of paying a standard rate for equal effort and skill may thus conflict with a policy of rewarding according to marginal productivity” (Behrend 1957; 511).

The manager’s and the economist’s systems of belief can thus differ and focus on two distinct elements in wage determination: effort evaluations, where standards of effort and their effort cost are assessed in relation to each other; and in opposition to market evaluations, where labour productivity is assessed in relation to market price as represented by the concept of marginal value productivity. Behrend continues to conclude that management will try to increase
the level of effort from labour without increasing costs per unit of output while labour will try to increase the level of wages for a given amount of effort. Frequently, adjustments in the supply of labour do not take the form of adjustments in number of workers or hours of work but adjustments in the standard of effort. The phenomenon of effort bargaining indicates that one is dealing with conditions of monopolistic competition, even in the absence of trade unionism.

It is worth pointing out that notions of effort have never been merely about the amount of energy expended on the job, but have always included the kinds of behaviours that should be expressed in doing the job. Dealing with behaviours as well as notions of effort means that whatever policies the organisation utilises must be seen to be fair by all parties. Yet, as with motivation, notions of fairness utilised by proponents of PRP tend to be very much simplified when, in fact, these notions of fairness are extremely complex. This can be highlighted by examining the role of social norms in determining notions of fairness.

Hyman and Brough (1975) found that in a study of work attitudes, mention of wages fell into two distinct categories. One type of response focused on the adequacies of wages as a reflection of the nature of the job and the requirements of an acceptable standard of living. The second concentrated on whether they were being paid fairly as compared with other workers in other jobs or plants. The contrasting emphases were captured in the familiar maxims of ‘a fair day’s pay for a fair day’s work’ and ‘fair comparisons’. The two distinctions parallel those between fairness in exchange and fairness in distribution. In the first case, the relationship focuses on that between the employer and employee and the fairness of the mutual wage-effort bargain. In the second case, it is on the distribution of income among employees in the same or different firms’ occupations or industries. Thus, in a way, this reflects notions of both equality and equity.
Performance norms are actually one of the important concepts involved in this and Hyman and Brough (1975) write that three factors seem to exert a crucial influence on employee norms:

1. the content and efficacy of primary socialisation,
2. the exposure to divergent values, and
3. the rigour of management’s expectations and discipline.

Hyman and Brough remind us of the traditionalism of performance norms by highlighting that Weber, in his classic study, argued that attempts to stimulate greater worker effort by increasing piece rates often prove counter productive. Effort and output actually decline, so that workers’ aspirations are actually fixed by their customary standard of life, and far from seeking to maximise output and hence piecework earnings, they worked merely enough to ensure that the traditional acceptable level of earnings is reached. While this may be over-stretching the point somewhat, it serves to highlight, as Behrend (1957) suggests, that the exact degree of required effort cannot be accurately predicted. The employer cannot always see exactly what tasks need performing, how they will be assigned among the workforce and what intensity will be required to carry them out. This can be highlighted by looking at the role of the work study engineer in PBR schemes. Baldamus (1961) argues that the central task of the work study practitioner is to discover the prevailing notions of the right level of effort required in a particular situation. The success, indeed, the very possibility, of systematic time study, including the more sophisticated methods of work measurement, rests entirely on the existence of such preconceptions. He adds that, in other words, the true purpose of time study is to guess as consistently as possible the purely subjective element of effort standards, and consequently, to adjust rates of pay in accordance with them. It is interesting to note that with PRP, it may be more of a process of setting the effort rather than discovering it as in time study. Another point is that it does not merely concern passive compliance or obedience of employees but also concerns the positive application of discretion and initiative towards managerially approved ends. So there has to be some
consent there. Thus, PRP may be the latest effort to manage what is necessarily contested and uncertain.

Hyman and Brough (1975: 29) argue that the concept of a fair day’s work for a fair day’s pay is used to:

sustain a sense of work obligation among those whose work offers little or no intrinsic motivation to high performance and to denounce those who fail to meet managerial expectations.

One of the crucial points is that, in terms of pay comparisons, the empirical evidence in the choice of pay comparisons is typically unambitious and powerfully shaped by custom. Major inequalities which establish part of an income hierarchy are rarely a focus of contention.

The force of tradition is quite powerful, and when combined with an appeal to custom and practice the principle is strong enough to produce a moral content that is recognised by workers and employers alike, even to the point where it constitutes, in effect, a countervailing source of legitimacy to that of managerial authority. Hyman and Brough argue that there is much evidence that the definition of work obligation in the everyday employment situation can usually be understood as an example of *negotiated order*. Thus, what is at issue is the ideology and social imagery held by employees and employers, generated not only within work but in social life generally. This is the case for both employers and employees. In any case, employees usually hold strong views on the maximum as well as a minimum level of work effort to apply.

The level of *negotiated order* depends on the level of variation open to management on two particular points. The first is the stringency of the economic constraints under which the employing organisation operates and hence the pressure on it to minimise labour costs. The second is the scope available for lower level management, who are in regular contact with employees, to engage in informal agreements and understandings which further their personal interests and
facilitate their immediate tasks of co-ordinating production that may conflict with other longer-term objectives of higher management. Once a compromise has been reached, employers in turn can usually rely on union representatives to play a part in adding to the ideological pressures placed on employees to observe the dominant work ethic. Hyman and Brough (1975: 72) quote Flanders:

One has not to take an over optimistic view of human nature to recognise that when job performance is governed by a set of agreed rules and when the rewards attached to performance are thought to be justly determined there is a much greater prospect of workers feeling a sense of obligation to give a fair day's work and of shop stewards using their influence to see that this actually happens. This joint regulation leads to involvement and a sharing of responsibility.

In terms of the power relations involved here, while employers have power to some extent, the power of work groups is essentially defensive and reactive.

Given emphasis mentioned above about such schemes, research into the actual effects of these schemes is imperative. Does PRP actually translate into better performance and can a reward system make much difference to the performance of a company? Both managers and employees will respond to the messages sent by a reward system, depending on the notions of fairness which they perceive to be the norm and that ingrained with the system itself. Runciman (1966) wrote, 30 years ago, of the difficulties of changing employee perceptions of pay and fairness and that the long-established means of assessing relativities and fairness were based on a comparison determined by precedent, convention and habit within small reference groups. This was so, despite successive attempts through legislation and action by employers and unions to alter the situation. Therefore, what reason, if any, is there to view PRP schemes as having different effects on pay, behaviours and hence performance? Despite this, it would seem that performance contracts may actually change people's perceptions of what their roles are in the workplace rather than what they think their roles should concentrate on. The outcomes are indeterminate and need much more research,
however. Like Burawoy's (1979) 'playing the game', employees quickly learn to adapt to the new situations to benefit themselves.

2.5.2 Politics with a medium 'P': Pay, corporate performance and the changing nature of employee relations

Perceptions of performance can indeed vary. For the UK government, improving the performance of the economy has been based on 'atomistic' competition via the introduction of market forces, deregulation and the individualisation of the employment relationship. Yet for companies, competition may mean gaining greater control of the production process and the strengthening of market share. The growth of the multinational corporation (MNC) is certainly one indication of this. The trend of deregulation, while closely related to greater control within the firm, especially in MNCs, has also filtered down to the level of the individual. Over the last decade and a half, there has been very much what looks like a trend towards individualised employment contracts. Many have argued that the traditional procedural approach characterised by collective bargaining was on its way out. However, while the number of workers covered by collective bargaining has reduced considerably, it has been shown that most individualised contracts are very much 'standardised packages individually wrapped' (Evans and Hudson 1993). While the debate carried on between individual and collective contracts, PRP and with it the performance contract became increasingly popular. The notion of the performance contract in particular seems to embody both collective and individual aspects. Procedurally, the perception portrayed is very much on a collective basis, while substantively it is portrayed on an individual basis. Streeck (1987) argues that economic crisis forces employers to look for innovative strategies as a means of competing with other firms. While this is true, it is also true that firms tend to follow 'best practice' so that strategies sometimes look very similar. PRP and performance contracts comprise one such phenomenon that, while under-researched, has huge implications for corporate performance.
One of the areas highlighted by this research is that the performance contract is becoming a very important part of attempts to change the nature of the employment relationship. This needs much more research, however. Most of the companies identified here and in the WIRS90 survey that used PRP schemes were either large national multi-plant firms or MNCs usually utilising the 'M Form' of organisation. Thus, it is worth a detour into the nature and structure of these types of companies.

Although the 1980s and 1990's have seen the encouragement of market forces along with atomistic competition, in most countries, the firm is far from that portrayed by Adam Smith (1986). Most markets are now dominated by large MNCs with their immense influence, wealth and power. With the growth in the size of the firm and the greater diversity of corporate business there has been a development which Williamson (1985) describes as "the most significant innovation of the twentieth century" - the M Form. The M Form evolved as a means of making savings on transaction costs which arose from the growth of the firm and the accompanying problems of internal control. It involves the creation of quasi-autonomous operating divisions run by a central office which are said to have the ability of a much more strategic co-ordinating role brought about by the centre being released from the involvement in the functional aspects of the company, assigning operating responsibility to its divisions.

By implication, the M Form is said to be a much more efficient means of organising the company as through its strategic planning and resource allocation, the centre can also act as a monitoring and control apparatus. According to Williamson, the centre will be supported by an elite staff that is capable of evaluating divisional performance and can create an information base that will permit rewards and penalties to be assigned on a more discriminating basis.

The implication for reward systems and other human resource functions is that operation and implementation is at a local level and makes management more responsible for ensuring that pay is better linked to divisional performance and the
local labour market. We know from the work on structure and strategy, however, that HRM outcomes depend very much on the type of MNC. Depending on whether the MNC is ethnocentric, polycentric (Perlmutter 1969), geocentric (Bartett and Ghoshal 1989) or eurocentric (Marginson and Sisson 1994) it will give different outcomes for employee relations. Nonetheless, there are some inherent contradictions in the M form organisation between external and internal markets. At both the macro- and micro- levels, the M Form is more about the creation of internal markets than external ones. In terms of the internal labour market, Doeringer and Piore’s (1985) work shows that although companies do not completely ignore prices and conditions in the external market, they are much more concerned with creating and maintaining consistent pay and grading structures. Even in the area of PRP, this research finds that pay is only related to performance insofar as it shares out a predetermined pay ‘pot’ and keeps to what the company deems to be a normal distribution of performance to suit their grading structures.

What this means is that the effects on company performance are at best indeterminate. This problem is compounded by the fact that most companies do not appear to make any efforts to directly measure the effects of these schemes on company performance despite Williamson’s insistence on considering the role of measurement and monitoring within the M Form organisation. Even indirect measures such as monitoring and surveys were largely based on gauging employee opinion and consistent application of the scheme (Gilman 1996). This is very interesting as the main raison d’être of these schemes is that they allegedly improve performance. This may mean that we are seeing a move away from the traditional M form, which is largely based on management through bureaucracy and hierarchy, to management through the market. Thus, processes such as PRP may concern changing methods of management more than anything else.

2.5.3 Politics with a big ‘P’: Government

The role of government in the determination of pay and performance norms is just as important as that of employers and employees. The Thatcher
government came to power in 1979, determined to contain labour costs as part of their programme of economic improvement. In this way, Smith (1993) argues that what they were attempting with regard to financial rewards was little different to that attempted by earlier Labour and Conservative governments of the post-war period. The difference was that, rather than using incomes policies and agreements with the trade unions, Tory governments sought to address labour markets factors directly. Part of this involved the removal of rigidities such as trade unions from the equation and basing pay on individual effort.

By the 1990s, the government’s approach and thinking became enshrined as an essential element of the Citizens’ Charter (1991) which, on the one hand, used the public sector as a model to set an example for the private sector to follow, and on the other hand, argued that there was a need to make a regular and direct link between a person’s contribution to the standards of service provided and his or her reward in a bid to make the public services work on a model of how he/she envisaged the best model of the private sector. The government argued that much more was required to make the links between pay, performance, and quality of service tighter and more effective including:

- more delegation on decisions on pay,
- extending rewards for performance and penalties for failure,
- securing value for money, and
- ensuring rewards for performance are only given when demanding quality of service targets have been met.

Within this, there was a clear intention by the government to aid management’s efforts to spread PRP in other nationalised industries. The split of various public sector departments into the ‘next steps’ agencies which are now given much more responsibility to manage themselves is a clear example of the government’s attempts. The agencies were first ordered to use PRP through the Treasury and then, with delegation, they were further encouraged to do so via both ideologically and budgetary systems.
This kind of approach hints at reward being aimed at more than just performance. Indeed, the whole relationship between attitudes and corporate well-being was a target for reward management. As Mrs Thatcher claimed ‘the employee should be wanting to satisfy himself that...profits are as good as they should be’. In essence, the political debate which has centred on and around reward management has pursued higher order aims than the motivating effects of cash or non-cash rewards (Smith 1993).

The politics of pay highlights that, to change effort levels, motivation or attitudes of fairness, one has to change concepts of social norms, implying that there is a socio-political element involved. This means that organisations may not be able to completely change their systems (i.e. they have to stay within the boundaries of their historical framework).

Thompson and McHugh (1995) emphasise four factors involved with political models of motivation. These are: goals related to values, interests and perceptions; strategies to achieve such goals; coalition or interest groups in achieving the goals; and the power to affect the events or goals. Thompson and McHugh argue that these are utilised by management as ‘technologies of regulation’ aimed at increasing control over behaviour and performance. Quality circles, autonomous work groups and so forth are examples of such techniques. The motivations served are the managerial aims of greater unit productivity but the drive concerns more work and less waste operates under the cover of consensus based participation. PRP in this instance may be used as a concept, not only to change motivation, but to change differentials and social norms of pay and effort.

The state also can play a role in intervening in the conceptions of fairness through public policy. Thus, those kind of wages and salary structures that are subject to a more or less uniform norm take for granted the equity of the prevailing inequality. This is an interesting point and highlights how the
government can intervene in very different ways, starting from the post-war era in which incomes policies were used to keep inflation down and wages at a certain level. When the Thatcher era is reached, incomes policies were ignored and instead attempts to use the market were largely used in a similar fashion in order to bring about different sets of wage policy.

Public policy embraces a conservative conception of fairness, shaped by an acceptance of the overall structures of political economy. In the concept of incomes policy, it may exert a powerful ideological influence that helps to contain those unintended challenges to structural stability. Likewise, the 1970s and 1980s saw the government aim to change the direction of its ideological influence and aim to create new structures. The main point is that government can shape the context within which employers work (e.g. incomes policies in the 1970s and the market in the 1980s and 1990s).

Yet while social norms can create some kind of social order, they can also stand in the way of change so that while certain systems, as in free collective bargaining, may have been the norm for many years, it has become far less acceptable in the 1970s. Due to the escalating costs and complexity of capital equipment and the growing size of production units, management have moved towards rationalisation and planning. However, for planning to be effective, it requires predictability and control. To this extent, control is not a mute concept. Labour costs and utilisation, the aspects of companies' economic environment over which they have the greatest direct influence, represent one of the primary targets for rationalisation and control.

Another source of disturbance in social norms is that due to socio-technical arrangements or management practices. Flanders, in his 1959 work, showed how, at the beginning of the process of scientific management, the study actually threatened a breach of contract between employer and workmen. What it was really doing was changing the effort notion of a 'fair day's work for a fair day's pay'. This was also a concept noted by Baladamus (1961), particularly that
changes in production techniques can exact more effort for different pay levels and pay norms. Another significant consequence of technical change is the creation of new categories of occupations, new pay hierarchies and where new jobs are located in these hierarchies. Again, these are features which impact on the changes from 1979 onwards. Obviously, what the government was attempting to do was change social norms. It is also significant that, at the same time, through the reorganisation of many occupations, these jobs were then left without a particular social structure. This was also a consequence of the search for flexibility. Thus, these points may actually fit with any debate on PRP. At points throughout time when existing structures of social norms need to be changed, this leads to periods of conflict or periods of great changes in structures.

Rubery (1997: 358) Takes the view that ‘labour markets remain social markets in which employers cannot fully ignore social expectations’, to relate current trends in pay structures to the main extant theories of wages, one of which is relevant here. Sociologists and institutionalists see wages in terms of their stratification or cohesion function: wages reflect social norms and are less responsive to market variations than economic theory suggests. The expectation is that wages reflect norms of fairness. Rubery argues that the view that wages reflect norms of fairness is problematic in explaining the major changes of the 1980s and 1990s.

It can be argued that Rubery is somewhat hard on these theories which do not all imply an unchanging moral order (Edwards and Gilman 1998). She does not, for example, consider Goldthorpe’s (1978) analysis of inflation, which was specifically based on the idea of changes in the structure of fairness. Goldthorpe argued that inflation in the 1960s and 1970s reflected not only economic forces, but also the emergence of a more organised working class which was less bound by conventional ideas of fairness than its forebears. There was thus a social dynamic which reduced the power of traditional norms. Theories of the labour process have long argued that control is shifting and contested, with swings between worker autonomy and direct managerial control. It would not be difficult
to develop a similar view of the labour market. Both employers and employees can use social constructions to legitimise certain levels of wages. From the 1980s, one saw an increased ability to engage in behaviour of this kind on the part of employers. Thus, what may be needed is a more extended treatment, on the lines of Goldthorpe's model of inflation and Rubery's critique of models based on social norms, which can explain contemporary trends. The point to be made is that norms are not fixed and hence pay standards can be changed. PRP may be one way of doing this.

2.6 Bargaining, uncertainty and power relations

The above discussion highlights the extreme complexity of the employment relationship. Instead of attempting a prescriptive description of the process involved with PRP, this research will argue that more value can be gained by highlighting the processes by which this complex interaction works and its outcomes. The analysis may lead to some prescriptive conclusions though the whole process is better viewed as a bargain with the environmental context (i.e. the social, political and economic pressures). It is the re-negotiation of control and effort. On the one hand, the employer wants the complete flexibility of labour inputs to gain competitive advantage. On the other hand, there are what the employer sees as social, political and economic obstacles acting as barriers to this.

For the employee, this may mean that in some cases much more effort is exerted for the same or less reward. This does not necessarily mean, however, that employees are working more efficiently (McLaverty and Drummond 1993). Efficiency involves the production of more with fewer inputs, whereas extra effort suggests greater input and may account for the kind of intensification which the increased productivity of the 1980s was squarely based upon (see Nolan 1989; Smith 1993). McLaverty and Drummond, looking at the relationship between factors likely to affect effort and work performance, found that most of the staff were working over their contractual hours for no extra pay. Routine workers did not think critically about the effectiveness of their working time. This is not
surprising, seeing as they were not involved in determining, let alone controlling, the goals or aims of their work. Their research shows that effort was a product of job pressures, resulting from employees attempting to respond to the demands imposed upon them and that most managers do not feel that their performance satisfactorily reflects their input.

Of particular interest, related to the changing nature of control, is the issue of the differing roles of management and how this relates to the adaptation of PRP schemes. Crucial to an understanding of the context within which managers are seeking to control individual employees is the nature of the broader organisational control systems. It is clear from the existing research that the structure of the organisation has a substantial impact on which control systems are adopted and how they operate. For example, it is argued that the M Form structure of organisation facilitates the separation of strategic and operational decision making (Walsh 1992). Within this, the devolution of profit responsibility and operational decisions are decentralised to lower levels of the business. In the HRM literature, it is argued that this gives managers much more autonomy over the day-to-day running of their business units. Exactly how this affects the objectives for the design and operation of PRP schemes has not been explored.

While certain studies have begun to point to the fact that control is at present a major part of PRP schemes, they have not examined how it is that control factors or management decision-making have interacted with other goals and objectives of the company and how important the organisational context is in the choice of the type of scheme chosen. This allows an examination of the objectives of a PRP scheme and of the internal pressures operating in the company. What is also needed is a method of examining the external pressures. For example, are there any particular pressures which make them attractive to certain types of company, industrial sector or job classification? Beginning with the idea that the competitive environment may set off a chain reaction which leads to a search for a new control system (Smith 1990) and that the type of product or product market which any company is in will reflect the type of payment system.
that they use (Vickerstaff 1992; Lupton and Gowler 1969), a framework was developed to examine how the political, social and economic factors influence the choice of pay system. Contingency theory would posit a direct relationship between these factors and their success or failure would depend on the 'fit' of the various elements. This is far too simplistic and does not recognise that control, consent or resistance between the various parties takes place. While not wanting to go down the path of contingency theory here, it is useful to examine PRP against these kinds of factors.

As mentioned above, the government has fiercely promoted the idea of the individualisation of the employment relationship, especially in relation to pay. In both the remaining public sector organisations and the newly privatised ones, it has encouraged management to introduce PRP schemes so as to link pay directly to performance of the individual (Citizens' Charter 1991). This is combined with a push within the private sector to introduce more flexible pay systems of which PRP has been seen as the primary scheme.

The fact that when PRP is used in the right context it can be of potential benefit to both employer and employee (ACAS 1991), is a statement which can easily be found running through most of the literature on PRP, especially that of a prescriptive kind. For example, Kearney (1979) argues that most people work in organisations where the relationship between pay and performance is less than direct, and asks why this is so when there is a fairly clear idea of how to use pay effectively to motivate performance. Despite noting many barriers, he still insists that performance measurement is the problem that most organisations have the greatest chance of overcoming, and that in less hostile conditions, PRP could be a success.

For the employer, it signifies that the schemes will improve efficiency, effectiveness and hence productivity in some way. For the employee, it is supposed to signify that, given the chance of a link between their performance and their rate of reward they can in some way realise that if more effort is exerted they
will receive more reward. This is a simplistic notion of PRP. It is a unitary or, at best, pluralistic view of the world of work and reward which fails to see the realities of the employer-employee relationship. Even when it is dressed up to look more complex and more far-reaching, it still holds simplistic notions in its main conceptual framework.

Until the early 1990s work carried out into the nature and extent of PRP was mainly of the type which analysed PRP within its original conceptual framework of PRP as a motivational and much fairer way of linking work and reward. Kessler and Purcell's (1992) and Kessler's (1994) highly commended work of the early 1990s set the scene for examining PRP with a view to finding out its true nature. Since then the debate on PRP has gone rather stale.

PRP concerns restructuring as much as rewarding employees and there are many complicated factors which need to be taken into account before we decide whether these schemes are beneficial or not to the employer. We know, for example, that these schemes do not motivate in any positive way, even though employers like to think that they might with slight alterations. What we do not know, however, are the conditions which make it worthwhile for companies to carry on utilising such schemes.

It is the individualisation of the employment relationship which is thought to hold the key to PRP schemes. For example, if reward is based on an individual's performance, then one should see some kind of relationship between how he/she performs and how he/she are paid. Yet if this was the case, one would also expect to see a rise in the use of piecework schemes, yet this is not the case. Therefore, what is different about PRP? One factor might be that it is in those kinds of jobs which have not previously used piecework and are not so easily measurable.

There are several limitations which run through much of the previous research which need to be addressed. First, one of the factors which several
previous studies failed to appreciate was that management’s objectives may not be synonymous with motivation or fairness if they are beneficial to the organisation in differing ways. In other word, fairness and motivation may be secondary, or even a smoke-screen, for other objectives. For example, Marden and Richardson (1994) assumed that Inland Revenue management would have to respond to perceived unfairness to make the scheme work better. Yet, in this, the authors presume that fairness is in fact one of management’s prime objectives. Second, and related, research also falls into the trap of using the criteria of employee acceptance to judge whether the scheme is successful or not (Lewis 1997), whereas the organisation may have completely different criteria of success. There is also some temptation to say why schemes are successful or not rather than to describe the processes by which everything occurs. Studies also treat motivation as a willingness on the part of employee opinion whereas we have noted above that both motivation and fairness are highly complex notions. Similarly, French and Marsden (1997) found that the perception that ‘Performance Management’ was a device to get more work out of staff had been greatly reinforced. Yet they do not go on to say any more about this. This was also a main point in their conclusion, yet all that they say is that elaborate goal-setting is unnecessary for this. A third criticism of some of the attitude surveys is that they are largely carried out for or on behalf of practitioner groups so that although they have raised some interesting points, their conclusions are rather prescriptive and never followed through. For example, Thompson’s (1992) research was intended to determine the extent to which different types of scheme had more or less impact on the attitudes of the employees subject to their scope. The conclusions are given in a simple form, however, and whilst noting that PRP often raises awareness of the competence levels of the organisation’s management, it did not pursue this line of inquiry at all. It is fair to say that the conclusions are written in a very prescriptive way to say that the overall findings are so negative. A point worth making is that it is not just what is done, as indicated by Thompson (1992), but also how it is done and how this interacts with other elements. This brings us to a final criticism which is that attitude surveys in general do not allow an investigation into the dynamics of the schemes. Kessler (1994) takes the debate
forward but is still weak in his overall analysis of the facts, only looking at the
design and implementation and not the total package of effects. Nor does he
analyse in detail why the schemes took certain paths. Finally, as Kessler (1994)
mentions, there is no attempt at representativeness.

However, it is not enough to simply criticise the work of others without
suggesting a better way of going about it. It would not be true to say that this
thesis actually criticises the work of others. Rather, it is a case that the majority of
good research carried out into PRP has not been able to go further precisely
because of the novel nature of the research. That is to say it has been bounded by
attempting to investigate certain elements of such schemes. Where this research
differs is in bringing together some of the strands suggested for further research by
previous authors into one concise research project. It also attempts extend beyond
anything carried out to date with its wide-ranging ethnographic research, and with
the aid of a representative survey of the economy, to point out those areas where
PRP is most prominent.

It is already recognised that some of the areas which are covering have
been noted in one form or another in other research but they have not been brought
together as an all-embracing method and also the subject has been mainly
approached by single case study methods or larger-scale attitude survey which,
while extremely useful, can be problematic in that participants have only the
written questions to respond to.

What is considered here is how organisational factors interact with PRP
schemes. Part of this involves an attempt to integrate the approaches taken by
previous authors into a much clearer description of PRP. In particular, the
interaction between goals and objectives of the schemes and the ways in which
these are then delegated down to individuals or groups are examined.
Other studies do much to chart the way forward but little to investigate the
organisational factors and the way that the various schemes interacted and
impacted at a more human level (i.e. they were either studies identifying different
organisational objectives or larger scale studies which were not able to go into much detail).

While initial research concentrated on recruitment and retention, motivation and the performance-pay link, it has become clear that it is not sufficient to keep insisting that if one add more money or if the objectives are set better the schemes will be successful. Other academic work began to look at schemes in a more thematic manner but still remained largely wed to the old ideas of motivation and so forth. This is not surprising, as improvement of performance is supposed to be the main goal by providing a reward system that motivates people, retains them or seems fairer than past systems. It has become increasingly clear, however, that organisations are using the schemes for far more than just these three factors.

What this chapter aimed to show is that in the confusion over what has been seen as the widespread introduction of PRP researchers have been attempting to find out whether the purported benefits of PRP are in fact true. This meant that questions as to the real nature of PRP have only been identified slowly as research progresses, thus leaving a huge gap in the knowledge of PRP. Academics have now filled some of these gaps, but there is still a large element of incompleteness around PRP, one of which stemming from the fact that we know very little about how the organisational context fits and acts with the dynamics of the schemes.

Cannell and Wood (1992) are the first to notice that, as well as being introduced to remedy the perceived difficulties involved in incremental schemes, PRP schemes are being reviewed and revised from time to time. However, they neglect to say why this is so and that PRP schemes may cause exactly the same kinds of problems on a different scale with management having more control over it.

Kessler and Purcell (1992) and Kessler (1994) clarify that PRP schemes vary and also identify the process of cultural change, and not just individual
motivation, as a reason for the use of PRP. What this research intends to do is build upon their work. Whereas Kessler and Purcell tend to stress that matters vary, and Kessler highlights the variation in two organisations, this research offers more detail and also places the schemes within a framework. Regarding cultural change, while others have charted the way forward, this research attempts to highlight the processes by which cultural change is hoped to be used and the ways in which it is utilised. Part of this involves an explanation of the process of objective-setting throughout the organisations. As Marsden and Richardson (1994) argue ‘management’s objectives are not easily established, however you would think that they were hoping to use it as an incentive to raise performance’. It is not enough to hope when analysis is needed. The reason why they are not able to establish management’s objectives is because, as they say, their concentration is on the inherent characteristics of the scheme rather than its organisational and managerial context. Similarly, the work of Kessler (1994) examines the extent to which objectives have been met rather than the nature of the objectives.

Furthermore, definitions of motivation used by many of the attitude surveys have, by their very nature, tended to be simplistic because of the need to extract answers from a limited number of questions. For example, the definition of motivation used by Mardsen and Richardson (1994: 247) is ‘a willingness or preparedness to do something, which means that it is a state of mind’. They are measuring whether PRP changed staff motivation, utilising the opinions and beliefs of staff. They also say that the politics of the scheme’s introduction do not greatly distort the working of the scheme, a fact which would be difficult to deduce from an attitude survey where one has to infer what some results mean. Much of the previous research implies a positive function to motivation. Yet when looked at in terms of social norms, motivation may well be conceptualised as compulsion or consent which puts a whole new emphasis on the subject. As Cannell and Wood (1992: 109) state,
little thought seems to have been given to the processes by which PRP works. Confusion about the reason for the introduction of PRP is one effect of this uncertainty. In particular there is a lack of critical evaluation.

This research aims to remedy this. Firstly, building on previous work it will identify schemes and their changing structures and put them in the context of their wider application. It will build a framework with which to identify the difference in emphasis and the reason for this. Secondly, it will study in detail the practical and theoretical application of the schemes in 16 different organisations and then in four of the organisations using an ethnographic case study methodology. This will allow a focus on the organisational and social context within which the schemes operate, and in particular, the choice of objectives and the means by which organisations manage the schemes the way they do. Finally, the objective will be to put the schemes into a wider theoretical context utilising notions of restructuring and control mentioned throughout this chapter. This does not merely mean examining control in simple labour process terms of exploitation, but rather combining a more progressive labour process approach with the fact that control is part and parcel of everyday organisational language, especially in large MNC organisations. Particular emphasis will be paid to the emerging themes of the 'effort bargain' and the 'process bargain'. The effort bargain is the balance between effort and reward, while the process bargain involves how the former balance is managed and regulated (i.e., the administration system of the organisation).
CHAPTER THREE

METHODOLOGY

3.0 The overall approach

Yin (1994) argues that different types of research methodology have particular advantages or disadvantages depending upon the following three conditions:

1. the type of research question,
2. the amount of control over behavioural events, and
3. the focus on contemporary as opposed to historical phenomena.

Using the three conditions above, Yin advises that the basic questions of ‘who’, ‘what’, ‘where’, ‘how’ and ‘why’ should be applied to the research question and hypothesis. This leads to the assertion that the ‘how’ and ‘why’ questions are more explanatory and suitable to case studies, while surveys are more appropriate to the ‘who’, ‘what’, ‘where’ and ‘how many’ type questions. A common misconception is that the various strategies used should be arranged in a hierarchy with case studies being used for an ‘exploratory’ phase while surveys are used for a ‘descriptive’ phase (Yin 1994).

Because of the lack of systematic research into PRP it was initially thought desirable to include both a quantitative (survey) and qualitative (case study) research element in this study. While the survey was thought to be useful for looking at the extent and organisation of PRP, the case study would enable the examination of complex social phenomena, addressing the effects of PRP and the interaction between organisation and effects.

A common problem mentioned with regard to case studies is that they provide little base for generalisation. While this is a much overstated fact, to
avoid any bias which might occur, a survey was used to identify those sectors where PRP is more common and its main characteristics. Furthermore, in order to provide a better link between the quantitative and qualitative, a panel case study method was used, whereby a larger population was used to assess the main characteristics and organisation of PRP and then a smaller population was derived from this for detailed case study work, including participant observation. To avoid the possibility of a 'lack of rigour' (Yin 1994), a semi-structured interview technique was incorporated throughout so as to introduce an element of consistency.

As explained in Chapter Two, much of the research into PRP was carried out using an attitudinal survey methodology. While this was very useful in generating knowledge concerning some of the features of PRP and the fact that PRP seems to cause a great deal of demotivation (rather than motivation), it left an important gap in the literature in terms of how and why the schemes continue to be utilised. One of the main reasons for explaining this gap is the methodological aspect, in short, the difficulty of understanding the totality of the processes at work without the use of a detailed qualitative methodology. In-depth studies are able to explore and explain the objectives of the organisation and the ways in which the organisation interacts with the various elements of its environment.

Furthermore, Porter argues (1991) that the complexity, situation specificity and changing nature of the firm and its environment strains the conventional methodological approaches while Pettigrew (1990) points out that a detailed comparative case study provides the opportunity to examine processes in context, drawing on the significance of various interconnected levels of analysis. Any organisational process needs to be understood within both the external and internal context in which it takes place. This requires the use of a multi-level analysis (Hendry and Pettigrew 1990). The external context is broadly defined as the external environment within which the firm operates, and the internal context is understood to be the internal dynamics and features of the firm itself.
Equally the multi-level perspective also allows for a simultaneous examination of the institutional, sectoral and organisational contexts within which any industrial relations phenomena occurs. As Fox-Wolgramm et al. (1998) argue, ignoring a multi-level perspective results in a lack of understanding of how organisational dynamics are embedded in its institutional and temporal context.

A further advantage of case studies is that they are able to generate theory (Eisenhardt 1989, Yin 1994, Pettigrew 1990). A distinctive feature of building theory through case study research is the capacity to make adjustments during the data collection process (Eisenhardt 1989). The research process becomes flexible and it can adjust taking into account findings from preliminary investigation, adopting changes to data collection instruments. However, as Eisenhardt argues, this flexibility is not a license to be unsystematic. Rather, it is a controlled opportunism to take advantage of the uniqueness of a specific case and the emergence of new themes to improve resultant theory. Theory building, however, should begin as close as possible to ‘no theory’ under consideration and ‘no hypotheses’ to test. Therefore, the starting point for this thesis was ‘why are PRP schemes so popular given the negative aspects being highlighted by other research?’.

The case study approach also allows insight into the history of the case in question. The historical approach can be stressed in validating an understanding of the organisational identity and the configuration of its various practices. Chandler (1990: 621) argues that he/she ‘who has studied the past experience of the institution is in a better position than most analysts to identify which developments are truly new’. This relates to an understanding of the historical situations, both internal and external to the firm, especially during periods when strategic expansions and/or organisational changes take place.

A historical investigation was essential in this thesis because any pay system does not operate in isolation from its wider surroundings and organisational context. History, infrastructure and culture permeate all aspects of
life within a company, including its norms, values, and the behaviours of its employees and managers. Behavioural characteristics become an ingrained part of each company's 'ways of doings things' and shape its organisational structure and processes. Similarly, the historical analysis is crucial to the construction of explanations about patterns of labour relations (Sisson 1987; Gospel 1992; Crouch 1996).

Data analysis and interpretation is the most critical and difficult element in qualitative research (Yin 1994; Miles and Huberman 1994). Due to the immense amount of data collected and to attempt to avoid 'data asphyxiation' (Pettigrew 1990), it was decided to organise and structure all of the information gathered by writing chronological, extensive case studies for each firm. These write-ups were often descriptions but central to the generation of insights (Eisenhardt 1989). Further interpretation permitted rewrites of these case studies now organising them by issues rather in a than chronological way. Equally, aiming to avoid the risk of constructing case studies as compendia of descriptive information which suffers a lack of conceptual and theoretical integrity (Doz and Prahalad 1991), the final case study chapters were carried out bearing in mind the aspects raised in Chapters Two and Five.

The aim was to put together the insights of the literature review and the preliminary findings of the fieldwork, generating a framework that systematised the process of writing up the case studies from a more theoretical base. In doing this, the researcher should have the chance to learn and validate the priori constructs of his or her research. This type of research approach, in the vein of grounded theory, is well suited for complex organisational phenomena such as in the exploratory and explanatory studies of the pressures and structures of industrial relations policies, where solid constructs can not be defined rigorously a priori. Grounded theory is a research process that attempts to start with an initial guide collecting and verifying data but allows the researcher to be aware of other contingencies that will affect the original framework or hypothesis (Glasser and Strauss 1967). As Eisenhardt (1989: 546) states, the case study process is clearly
iterative: 'while an investigator may focus on part of the process at a time, the process itself involves constant iteration backward and forward between steps'.

3.1 The research process

In addition to the detailed literature review of the subject matter, the research went through three main stages. Firstly, the Workplace Industrial Relations 1990 data (WIRS90) were analysed. The second stage included the identification of a case study panel of 16 companies. The third stage involved in-depth case study work, including an ethnographic approach to examining four organisations chosen from the original 16. Each stage was used to build upon the other to create and refine the ideas and questions that formed part of the thesis.

3.1.1 The WIRS90 data

The WIRS90 data, were analysed, and this included an assessment of what the main characteristics of PRP companies were as opposed to those without such schemes. The initial idea for researching the organisation and effects of PRP related to a quantitative survey of PRP undertaken for the study, prior to the commencement of detailed case study work. It was decided at a very early stage, however, that not only would this require too much time and too many resources but also that in order to explore the central research hypotheses that (i.e., 'PRP is better viewed as part of a re-negotiation of the effort bargain and systems of control) case studies provided the best way to proceed. Nevertheless, there was still a central role for quantitative work and the best way to proceed on this count was to use available secondary data sources. The WIRS90 data were thought to provide an ideal secondary source. Although the merit pay question was far from perfect, it still gave a good indication of the extent, nature and main characteristics of PRP. The WIRS data were additionally useful because the concept of population sampling is crucial as it defines the set of entities from which the research sample is drawn. It also helped to define the limits for generalising on theory. While the cases were chosen at random this is neither necessary, nor preferable, as to choose cases which are likely to replicate or extend the emergent
theory may be more suitable. In the event efforts to do both were taken for reasons that will be explained below.

There were several problems with using the WIRS90 data which need to be highlighted as they provide possible limitations to a representative study of PRP. Firstly, the data did not pick up any longitudinal effects (i.e. it is a static snap shot of industrial relations in 1990). Unlike some of the other questions in the WIRS series, the merit pay question was included for the first time in the 1990 questionnaire so could not be compared with the previous two sets of data (surveys carried out in 1980 & 1984). Secondly, the data did not indicate the success or failure of these types of scheme. Consequently, nothing was known about why they succeed or fail, even though it has been shown in many of the previous studies of PRP that these schemes are constantly tinkered with or even completely altered in the hope of improvement. Nor did the surveys have anything to say about those companies that have ceased to use PRP or were still considering its introduction. Thus, ‘why’ questions could not be asked. Thirdly, the data could not tell anything about the changing nature of PRP schemes. For example was there a move towards group determined schemes? Was the growth of PRP in traditional areas or was it related to restructuring of companies in other industrial sectors? Finally, the merit pay question was the last part of a three part follow-on question which may have been confusing for some respondents who may have replied to one section to the detriment of others. There was some indication from the base figures that this did happen. Limitations aside, the WIRS data base was a huge source of unique material. It therefore made a valuable source.

In the light of the above, four possible research methods for proceeding with the choice of type of company were identified. These were based on the cross tabulations carried out with data on merit pay and the one digit SIC\textsuperscript{1} codes (cross tabulations against four digit codes were carried out later):

\textsuperscript{1}Standard industrial codes (SIC) begin with one digit codes that highlight the main industrial sectors. They then break down into smaller industrial classifications using 2, 3 and 4 digit codes.
1. Column figures which show the total numbers and percentages of companies in the survey which had a PRP scheme for at least some proportion of their employees were used. It was then decided in which areas PRP is concentrated in both at the one and four digit SIC levels.

2. Row figures which gave an indication of how widespread the use of PRP is within particular industries and sectors were. Again, it was decided which areas PRP is concentrated in at the one and four digit levels.

3. Steps 1 or 2 were carried out, this time use the two instead of the four digit level. This method may have been more appropriate if the total numbers in each of the four digit sectors were small.

4. Some combination of the above was used to suit the particular factors of the research in order to address some of the above problems.

5. The following sections look at some of the results that were found from the survey data and which method was considered to be the most appropriate.

The following variables from the WIRS survey were used as the main variables. They were all taken from a three part question concerning incentive pay. They are as follows:

   K1) Are any of the employees in this establishment paid by results?
   K2) Are they paid by results as individuals, members of a group or on an establishment or organisational basis?
   K3) Do any employees in these groups receive merit pay or pay related to the assessment of individual performance?

Each of these was a follow-on question so that if one answered positively to one, one carried on to the next. The respondents were also given a choice of eight occupational groups. This obviously gave eight variables for each question. At

To simplify the analysis it was better to begin with single digit codes then proceed to examine significant results in more detail. All figures refer to 1993 Standard Industrial classifications.
first, a new variable was created from combining each occupational variable from K3 and each occupational variable from those who replied to the individual part of question K2. This method was advised by the authors of the 'Workplace Industrial Relations In Transition' to give a more accurate picture of the extent of PRP, given that some respondents answered K2 and then did not bother to answer K3. The authors argue that because the merit pay question was asked last, there is some doubt that the results fully reflect the extent of PRP (Millward et al. 1992).

Eight occupational variables which were labelled PRI to PR 8 were thus produced. After working with these variables it was found that the results were extremely difficult to summarise. Some of the results seemed to be distorted by those who were paid by results as individuals, (i.e. K2) and these people were more likely to be employees paid via piecework. It was thus decided that because an overall picture of PRP was required the eight occupational variables from K3 needed to be combined. This then gave one 'merit' variable which could then be used to examine the relationship of those establishments with PRP and those without. This would also cut out most of the distorting factors of individual payment by results, although small distortion may still remain.

The fact that the WIRS90 data included a question on PRP meant that analysis could be carried out to examine the main characteristics of PRP establishments to ascertain whether any of the factors indicated in Chapter Two were identifiable. This, it was felt, would aid the picture of the organisation of PRP, allowing a combination of the data from this and subsequent stages of the research. From the analysis, only those results which were highly significant to a minimum of the 1% level were used. In terms of the characteristics, a wide picture of PRP establishments was built up and then gradually as the research progressed, some of the main elements identified in Chapter Two were focused on. These were then utilised to form the first part of Chapter Four, describing the characteristics of PRP.
3.1.2 Identifying the panel companies

The second stage included identification of the industrial sectors from which to choose the companies and the case studies of a panel of 16 companies. It was found from the WIRS90 data that over 75% of those companies which used PRP for at least some proportion of their employees were concentrated within four of the one digit SIC sectors (see Table 3).

### TABLE 3.0: PRP by industrial sector

<table>
<thead>
<tr>
<th>SIC Code</th>
<th>Industrial sector</th>
<th>Number of establishments with PRP</th>
<th>% of total establishments with PRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Other Manufacturing</td>
<td>75</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>Distribution</td>
<td>170</td>
<td>25</td>
</tr>
<tr>
<td>8</td>
<td>Banking / Finance</td>
<td>159</td>
<td>23</td>
</tr>
<tr>
<td>9</td>
<td>Other services</td>
<td>112</td>
<td>17</td>
</tr>
</tbody>
</table>

However, these figures were representative of the companies which took part in the survey that had answered yes to the merit question. They were not representative of whether or not PRP was prominent within particular industries / sectors or the economy as a whole. In order to do this, row figures needed to be examined.

Another test which also needed to be applied to both sets of figures was to work out the standard errors for each sector and then to apply the $\pm 2 \times$ standard error rule to be confident of the range within which the true figures lay. It could then be said that the figures were truly representative. The results are shown in Table 3.1. The standard error rule made little difference to the column figures, but for the row figures the top four prominent sectors changed from those of Table 3.0.
TABLE 3.1: PRP by two digit SIC

<table>
<thead>
<tr>
<th>Sic Division</th>
<th>PRP Row %</th>
<th>Standard error</th>
<th>Range (%)</th>
<th>PRP Column %</th>
<th>Standard error</th>
<th>Range (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.00 ENERGY</td>
<td>27</td>
<td>0.1018</td>
<td>7-47</td>
<td>0.7</td>
<td>0.0032</td>
<td>1-1.3</td>
</tr>
<tr>
<td>2.00 EXTRACTION OF MINERALS</td>
<td>42</td>
<td>0.0691</td>
<td>28-56</td>
<td>3</td>
<td>0.0068</td>
<td>2-4</td>
</tr>
<tr>
<td>3.00 METAL GOODS</td>
<td>46</td>
<td>0.0411</td>
<td>38-54</td>
<td>10</td>
<td>0.0115</td>
<td>8-12</td>
</tr>
<tr>
<td>4.00 OTHER MANF.</td>
<td>40</td>
<td>0.0357</td>
<td>33-47</td>
<td>11</td>
<td>0.0120</td>
<td>9-13</td>
</tr>
<tr>
<td>5.00 CONSTRUCTION</td>
<td>40</td>
<td>0.0573</td>
<td>29-51</td>
<td>4</td>
<td>0.0075</td>
<td>3-5</td>
</tr>
<tr>
<td>6.00 DISTRIBUTION</td>
<td>50</td>
<td>0.0272</td>
<td>45-55</td>
<td>25</td>
<td>0.0166</td>
<td>22-27</td>
</tr>
<tr>
<td>7.00 TRANSPORT</td>
<td>38</td>
<td>0.0482</td>
<td>28-48</td>
<td>6</td>
<td>0.0091</td>
<td>4-8</td>
</tr>
<tr>
<td>8.00 BANKING</td>
<td>67</td>
<td>0.0305</td>
<td>61-73</td>
<td>23</td>
<td>0.0162</td>
<td>20-26</td>
</tr>
<tr>
<td>9.00 OTHER SERVICES</td>
<td>23</td>
<td>0.0192</td>
<td>19-27</td>
<td>17</td>
<td>0.0144</td>
<td>14-20</td>
</tr>
</tbody>
</table>

* ± two standard errors

Throughout the tests, two sectors remained dominant in terms of PRP being a majority pay system. These were Banking and Finance and Distribution. A third sector - other manufacturing - also appeared in both sets of tests. However, although PRP was prominent, it was present in less than 50% of the sector. This left one sector in each set of tests that was different from the other.

When using the column figures (Table 3.1), other services ranked third in terms of the sector with the most respondents with a 'yes' for PRP. But in terms of representativeness within this sector as a whole, however, PRP was only present in a minimum of 19% of establishments. On the other hand PRP was present within a minimum of 38% companies within the metal goods sector. This left two sets of four industrial sectors depending on which set of figures were used:

1) Column Banking/Finance, Distribution, Other services, and Other manufacturing.

2) Row Banking/Finance, Distribution, Metal goods, and Other manufacturing.
Taking this into account, it was decided to use all five sectors in the first stage. It is worth noting at this point that the research is primarily about the organisation and effects of PRP and not necessarily about the differences between PRP and other payment schemes. It is for this reason that the companies chosen for the panel survey were primarily in those areas where PRP is prominent. Even so, it was also seen to be important to look at those companies which had introduced PRP despite the fact it was not a prominent part of their particular industry. The decision to include other services was taken on this basis, as it is a sector where PRP is increasingly being introduced, largely due to the influence of government policy which is fiercely promoting the idea of PRP.

The second stage was now to apply the standard errors to each of the four digit industries within each of the five one digit sectors. This was important in order to reduce and identify the type of companies to be approached concerning the qualitative analysis. This was not an ideal exercise as most industrial sectors in the survey had only small numbers of companies (most did not comprise 30 companies - the usual minimum applied). Due to these small numbers, it was decided that the test would be applied at the two digit level but the results from these tests were at best no more successful and in some cases less successful than the four digit ones. It was thus decided to stick with the results at the four digit level.

3.1.3 Matching companies to the four digit industries

Table 3.2 shows all those four digit industries which have PRP in at least a minimum range of 50% of their establishments according to the survey data. We now had 17 four digit industries from which to select the panel companies. Before we could proceed, however, to the next stage, we needed to have a list of companies from which to chose.
<table>
<thead>
<tr>
<th>Four Digit SIC</th>
<th>Row percentage</th>
<th>Standard error</th>
<th>minimum range (%)</th>
<th>*</th>
</tr>
</thead>
<tbody>
<tr>
<td>3251</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>3410</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>4671</td>
<td>71</td>
<td>0.1000</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>4751</td>
<td>82</td>
<td>0.1568</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>6120</td>
<td>84</td>
<td>0.1222</td>
<td>60</td>
<td></td>
</tr>
<tr>
<td>6149</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>6180</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>6430</td>
<td>73</td>
<td>0.1146</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>6710</td>
<td>94</td>
<td>0.0659</td>
<td>81</td>
<td></td>
</tr>
<tr>
<td>8140</td>
<td>92</td>
<td>0.0339</td>
<td>86</td>
<td></td>
</tr>
<tr>
<td>8150</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>8350</td>
<td>80</td>
<td>0.1332</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>8394</td>
<td>80</td>
<td>0.0900</td>
<td>62</td>
<td></td>
</tr>
<tr>
<td>8396</td>
<td>100</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>9111</td>
<td>73</td>
<td>0.0839</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>9150</td>
<td>89</td>
<td>0.1043</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>9400</td>
<td>85</td>
<td>0.1597</td>
<td>54</td>
<td></td>
</tr>
</tbody>
</table>

* ± two standard errors.

A list was created with the assistance of the Industrial Relations Review and Report (IRRR) from 1990 to 1993. This list (comprising over 200 companies which were reported by IRRR to be utilising a PRP system) was created showing the year and edition in which the report appeared and incorporating the company SIC codes. This meant that companies could be matched to the four digit codes in Table 3.2. This left only six of the industry codes without matched companies. To overcome this deficiency, it was decided that companies should be identified by their four digit codes via CD ROM data bases such as 'FAME' or 'Who Owns Whom' and then to see if they could be matched with any of those companies which had been reported to have PRP from other studies or surveys. In the event, the problem was rectified by searching F.A.M.E. for companies in these industries that were based in either the East or West Midlands. Small groups were identified in each industry and these companies were then contacted by telephone in order to establish whether they had PRP schemes, and ultimately, whether or not they would be prepared to take part in the survey. This now meant that companies were identified for all sections of the survey.
The original proposal was to choose 15 companies for the panel survey on the basis of their representativeness within the WIRS90 data. Due to the changing nature of PRP over the 1980s and 1990s mentioned in the introduction it was decided that only 10 of the companies should be used to represent the findings from the data set and that the remaining five should be used to address the problems identified with the data and the changing nature of PRP. The following are questions that were left unanswered by the WIRS data and which are not addressed by previous research. Therefore, it was proposed that the final five would be selected from the authors knowledge of companies that had been using or introducing PRP, matching them as far as possible to some of the factors below:

1. companies where PRP had failed or had caused extreme difficulties,
2. companies where PRP was being considered for the first time or was in the process of introduction,
3. companies where the nature of the scheme had changed over a period of time. Related to this was:
4. companies where PRP had historically been a part of the company’s pay policy,
5. companies which had experienced an appraisal system but had never used PRP,
6. companies who had recently made, or who were in the process of making the transition from public to private sector status,
7. areas in the public sector where the use of PRP had traditionally never been considered due to the past nature of their industrial relations but which were now doing so,
8. companies that had made a conscious effort to introduce HRM/TQM techniques and with them PRP,
9. companies that now had introduced PRP for its manual employees as well as its non-manual employees,
10. companies that had restructured, due to intense competition over the period of the 1980s and 1990s,
11. companies that used PRP to get rid of trade unions and, at the other end of the scale, those that actually accommodate trade union views and
12. multinational companies that may have used PRP as a means of controlling management in different plants (i.e. tying objectives to their pay in order to make sure that centralised policies are adhered to).

None of these areas were necessarily mutually exclusive and, although some of the companies in the first 10 may well have had some of these attributes, these are important areas which need addressing in their own right. Further, these were just some examples of the types of companies which could be approached to make up the final five panel companies. They were, of course, only companies or areas which had been identifiable from other reports.

The 16 case studies involved interviewing senior managers at several levels in the organisations where appropriate. They also involved interviewing managers in different job functions to gain an idea of the interaction of policy and strategic issues and the ways in which they impacted on pay. Altogether, over 60 managers, and where possible workplace representatives, were interviewed using a semi-structured questionnaire which allowed some probing within a systematic framework. Some managers were interviewed on more than one occasion thus giving the approach a longitudinal aspect over the period 1994 to 1997. The case studies took place in many regions of the country stretching from Southampton to Edinburgh.

3.1.4 The four ethnographic case studies
The third stage involved in-depth case study work, including an ethnographic approach to each of four organisations chosen from the original 16. Two to three weeks were spent in each organisation, observing how employees worked and how the various factors involved with the PRP schemes interacted with their daily work. In all cases, free access was given to interview people as and when required. The only exception was in those positions where it was difficult for
employees to leave their posts. In these cases, interviews were pre-arranged but employee selection was still possible.

Again, interviews were structured on the basis of semi-structured questionnaires so as to maintain some consistency. Combined with the formal interviews, employees were also interacted with on a daily basis allowing more detailed analysis of certain factors as they appeared.

The amount of case study work undertaken for this research meant that a great deal of time and access from companies was required. Given that almost all of them were undergoing rapid bouts of restructuring, further access for the ethnographic case study work was seen as a large burden by many. Hence, the choice of the four case study companies for the next stage was bounded by this constraint. Nonetheless, an effort was made to make the companies as representative of certain issues as possible. Firstly, companies from different industrial sectors and different types of occupation were chosen. Secondly, the nature and growth of performance management was examined as this was seen by many organisations as the way to be moving forward. Thirdly, a blue collar scheme and one with trade union involvement were included in the investigation.

Some companies pulled out of the research on more than one occasion due to restructuring, only to rejoin at a later date. Fortunately, therefore, all the above issues were eventually covered. Three of the companies had introduced performance management systems (Bank Co, Retail Co and Public agency). Yet, in different ways, this allowed an insight into their different facets. Further, Engineering Co had both a blue collar scheme and one in which the unions' influence was very strong when compared with other companies. In a preliminary interview, management indicated a wish to integrate this group with the main management performance management scheme at some stage in the near future.

Thus, the key objective of the four case study chapters is to look at four of the schemes in detail using ethnographic case studies. The research for the
chapters took place between 1994 and 1997 although the main ethnographic elements were undertaken in 1997. This meant that although the study did not set out with a longitudinal perspective, it managed to chart some of the effects of change over the period.

As well as staff interviews, written documentation concerning the schemes and the organisations under study was also utilised. This was also complemented by a review of past literature on each organisation from academic, practitioner and newspaper sources so as to construct a complete picture of a history and many pressures acting upon the organisations. Triangulation with archival and newspaper data was an important and useful method, confirming the reliability and accuracy of the interview information (Yin 1994). In both institutions, the access obtained was considerable, with many days spent in visiting premises in different regions, attending company meetings and interviewing people chosen at random.

Table 3.3: Case study details

<table>
<thead>
<tr>
<th>Company</th>
<th>Locations visited</th>
<th>Total No. of employees interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank Co.</td>
<td>Leicester</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>London</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nottingham</td>
<td></td>
</tr>
<tr>
<td>Retail Co.</td>
<td>Altrincham</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td>Beeston</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coventry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Nottingham</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Smethwick</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stourbridge</td>
<td></td>
</tr>
<tr>
<td>Engineering Co.</td>
<td>Beeston</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Nottingham</td>
<td></td>
</tr>
<tr>
<td>Agency Co</td>
<td>Altrincham</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Macclesfield</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sheffield</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stratford on Avon</td>
<td></td>
</tr>
</tbody>
</table>
During stages one and two all of the case study companies allowed me access to written materials and data concerned with the schemes. Although some data on costs and distribution were used in the analysis, there was insufficient time, nor was it the purpose, to examine pay and performance data in detail. Only when one understands the complex processes involved with the schemes can data be integrated and understood. Therefore, whilst it is now thought that it is imperative to investigate the link between pay and performance using any data available, this should form the next stage of any research into the subject area.

Finally, preliminary findings from the second stage of the research and then later a draft of the case studies were sent to the companies who gave oral feedback that helped to clarify some data and validate the information and its accuracy; thus enhancing construct validity of the case study, as Yin (1989) argues, by respondent validation.
CHAPTER FOUR

THE ORGANISATION OF PERFORMANCE RELATED PAY

4.0 Introduction

This chapter sets the context of a detailed study of PRP by:

- looking at the overall patterns of PRP usage, and
- examining the nature of the schemes in 16 case study companies.

It will carry this out by firstly examining the WIRS90 data and secondly examining the main characteristics of the 16 schemes.

First, it aims to identify the characteristics of those establishments with PRP and whether there are in fact any significant differences between the average PRP establishment and average non-PRP establishment. While doing so, it is also considered important to attempt an examination of whether any characteristics are evident which confirm or refute any of the factors mentioned in Chapter Two. Let me stress that this section is not aiming to explain the use of PRP but is rather looking at patterns (i.e., seeing whether PRP is linked to organisations with competitive product markets, undergoing change, changing industrial relations systems and so forth). For example, Kessler (1995) argues that although change to pay systems is nothing new, what is novel is the use of PRP in conjunction with other HRM techniques to support the process of organisational transformation is innovative. More particularly, it is said to be part of a strategic approach to the management of employees - performance management - linking their jobs and performance to the main goals and objectives of the organisation (Storey and Sisson 1993). Does PRP lead to high performance/high profitability or is it actually the poor performers who utilise PRP in the hope that it may improve their position? Does this mean changing the relationships of collective bargaining, consultation and communication? Are establishments individualising their relationships with employees, ridding themselves of unions and using more sophisticated models of internal communication or are companies merely moving...
back to a unitary kind of relationship? Further, if, as Baladamus (1961) implies, organisations need to change administration processes to gain a change in the effort bargain are there differences between establishments? Finally, products and markets are reported to have a significant role in the type of control strategies utilised by organisations (Edwards 1986). If this is the case, are there any identifiable differences?

If organisations are truly experiencing problems with the re-negotiation of control and the effort bargain, then in line with contingency theory, it should be possible to note certain characteristics which differ between those organisations with PRP and those without. However, in line with the non-deterministic element of contingency theory, one should also be able to note some distinct differences between the case study organisations and PRP schemes. Thus, the aim of the second part of the chapter is to examine the organisation of the PRP schemes in each of the case study companies and the circumstances under which they have been introduced or developed. The emphasis is on highlighting that they are very much related to each organisation socially and historically and are therefore bounded by the organisation. This means that, in contrast to what the prescriptive literature on PRP would have one believe, the outcomes of the schemes are very different despite their similarity on paper.

4.1 PRP schemes Part 1: WIRS, the main features of PRP

No clear picture has been arrived at as yet in terms of the characteristics of the type of company which utilises PRP. In order to aid the image of the ‘organisation’ of PRP, it was felt worthwhile to attempt to construct one from data available in the last Workplace Industrial Relations Survey (WIRS90). In addressing these questions, one is not looking for a detailed analysis. Not ignoring the fact that companies and the processes within them are extremely complex, a ‘snap shot’ of any distinctive features of PRP and non-PRP (NPRP) establishments is required. As such, the chapter only includes those parts of the
analysis where the results were highly significant, to a minimum of the one per cent level.

4.1.1 Background characteristics

From the outset there are clearly identifiable features for those establishments with PRP. As mentioned in the previous chapter, PRP is concentrated within certain industrial sectors. Moreover, of those establishments with PRP, three-quarters are located in the Limited Company trading sector and just under a fifth are in the public sector. PRP seems to be concentrated within large multi-establishment organisations in that schemes are much more likely to be present in those establishments which are part of a group rather than single establishments. Furthermore two-thirds of these are MNCs and although the majority in the survey are UK-owned, PRP is much more likely to be present in foreign owned MNCs. It is more difficult to say anything about the total numbers of employees affected by these schemes, yet it is known that four-fifths of those establishments with 1,000-plus employees have PRP, while at the other end of the scale, only a third of those with 25 to 50 employees have PRP. This indicates that the probability of PRP being present is related to the size of the organisation.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage paid by PRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unskilled manual</td>
<td>10</td>
</tr>
<tr>
<td>Semi - Skilled manual</td>
<td>16</td>
</tr>
<tr>
<td>Skilled manual</td>
<td>22</td>
</tr>
<tr>
<td>Clerical/Admin./secretarial</td>
<td>31</td>
</tr>
<tr>
<td>Supervisors</td>
<td>32</td>
</tr>
<tr>
<td>Junior technical/professional</td>
<td>29</td>
</tr>
<tr>
<td>Senior technical/professional</td>
<td>31</td>
</tr>
<tr>
<td>Middle/senior managers</td>
<td>40</td>
</tr>
</tbody>
</table>

Base: all establishments with five or more employees, N = 2,061
Table 4.1 shows the percentages of each occupational group paid by PRP, confirming the likelihood of PRP being related to hierarchy within these establishments. Thus confirming the view that PRP may be part of a wider package.

As Table 4.2 highlights, PRP establishments are also, in all cases, more likely to operate a variety of rewards schemes than NPRP.

### Table 4.2: Type of reward schemes used

<table>
<thead>
<tr>
<th>Type of reward scheme</th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit related or bonus</td>
<td>54</td>
<td>32</td>
</tr>
<tr>
<td>Deferred profit share</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td>SAYE share option</td>
<td>31</td>
<td>19</td>
</tr>
<tr>
<td>Discretionary/executive share option</td>
<td>25</td>
<td>12</td>
</tr>
<tr>
<td>Other types of share ownership</td>
<td>10</td>
<td>4</td>
</tr>
</tbody>
</table>

Base: All establishments from trading sector, N = 1,222.

If any of the factors hinted at in Chapter Two are present within PRP establishments which call for a new type of pay system, then one should be able to highlight them from an investigation of the WIRS data. For example, one might expect the organisation to be in a highly competitive product market and in reaction to this, be undergoing a certain amount of restructuring in order to gain an amount of competitive advantage. One might also expect their system of employee relations to change from one based on traditional industrial relations towards an HRM approach. This may mean that the organisation also has to transform its administration systems. Finally, would this show up as an improvement in performance? All these factors are examined below.

#### 4.1.2 Products and markets

As was mentioned in the introduction to the chapter, products and markets are likely to play a large role in the type of control strategies utilised by the organisation. This is already indicated by the fact that PRP is concentrated within particular industrial sectors. The WIRS data set also allows an examination of the
nature of product/market in which the establishment is located. It highlights that establishments with PRP are more likely to be in a sector with many competitors. This fits with the hypothesis that the competitive environment and restructuring of the 1980s and 1990s may have led to a search for new structures and work methods, and consequently, a search for new forms of control among which PRP may have seemed very attractive. Further questions are posed to test this proposition. Those establishments with PRP schemes are far more likely than those without PRP to say that their contribution to total UK sales is less than five per cent. They were also more likely than NPRP establishments to say that over the past 12 months, the value of sales of the main product or services of the establishment has been rising although they are also more likely to say that the value was unstable over the same period.

Establishments were asked whether they produced a single product or service or different products and services. Two-thirds of establishments with PRP said that they produced different products and services compared with only half of those without PRP.

**Single product or service**

Furthermore, NPRP establishments were more likely to say that the majority of their products or services was not sold to another part of the organisation if they produced a single product or service. In terms of customers, where the establishment produced a single product and the majority of its products or service was not sold to another part of the organisation, the proportion of total annual goods supplied to the establishment’s largest customer showed in general a linear relationship in that more and more establishments sold a declining percentage of goods to any one customer. It also showed that those establishments with PRP schemes were significantly more likely to supply less than one per cent of goods to the largest customer.
If the establishment produced a single product or service which accounted for over a quarter of total sales revenue, then PRP establishments were less likely than NPRP to have many competitors but far more likely to dominate the market.

**Different products or service**

If the establishment produced different products or services, then those establishments with PRP were more likely to say that the main product or service was not sold to another part of the organisation.

In terms of customers, a similar picture emerged with those establishments where there were different products and services to those with a single product. This time the figure for those companies with PRP increased when it was over 75% of the product, thus giving a picture of PRP companies with either many customers or dominating the market at the other end of the scale.

Where the establishment produced different products and services but the main one accounted for more than a quarter of total sales revenue, it was more likely that those establishments with PRP would say that less than one percent of the total annual value of goods and services was supplied to the establishment's largest customer. If, on the other hand, the main product and service did not account for at least a quarter of total sales revenue, then those establishments with PRP were less likely to say that less than one percent was sold to the largest customer.

This trend was also confirmed by a question which asked the establishments whether their market was dominated by their organisations, whether they had a few competitors or whether they had many competitors. With those establishments which had a main product or service which accounted for more than a quarter of total sales revenue, then PRP was much more likely than NPRP to be in the 'many' or in the 'dominate' section. With the second category, that is, those whose main product or service accounted for less than a quarter of total sales revenue, PRP was much less likely to be in the 'many' but the number
in the ‘dominate’ section increased significantly. It would seem that the greater
the variety of products, with total value to the company shared out more equally
between products, then the more likely it was that the establishment would sell a
high percentage to the largest customer.

To gauge responsiveness of the product or service to changes in market
prices, establishments were asked if there were price increases of five per cent
whilst their competitors’ prices remained the same and how much of a demand fall
this would lead to? Of PRP establishments, 65% said more than 10% (NPRP
32%). NPRP were more likely to say less than 10%. This might suggest that the
types of companies being considered are mainly in highly competitive sector or
based on a dominant product with competition between an organisation’s
establishments.

4.1.3 Organisational transformation

In line with the argument that the competitive environment and
restructuring of the 1980s and 1990s may have caused changes both in working
practices and to the structure or organisation of companies, those establishments
with PRP were more likely to have introduced changes in working practices that
reduced job demarcation or increased flexibility during the last three years (48%
compared with 34% for NPRP). Yet these changes in working practices were not
aimed at all of the employees within the establishment. Although only a small
minority of establishments said that all employees were affected, those
establishments with PRP were twice as likely to be among this section than NPRP
establishments. Of those establishments who were only changing working
practices for some employees, this was happening particularly within the white-
collar sectors of the company with the clerical/administrative and
supervisory/foreman groups being of a significant nature - both of these groups
were more likely to be in establishments with PRP. Forty percent of
establishments with PRP also complained that a lack of skills among the
workforce was limiting the way in which management could organise work. The
corresponding figure for NPRP was 20%.
Establishments were asked ‘whether during the past three years there had been any of the following types of change directly affecting the jobs or working practices of any section or sections of the non-manual workforce’? The response were as follows:

**Table 4.3 Any of the following types of change**

<table>
<thead>
<tr>
<th></th>
<th>PRP</th>
<th>NPRP</th>
</tr>
</thead>
<tbody>
<tr>
<td>A) The introduction of new machinery or equipment</td>
<td>68%</td>
<td>49%</td>
</tr>
<tr>
<td>B) Substantial changes in work organisation or practices, not involving new machinery or equipment</td>
<td>48%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Base: All establishments, N = 2061

In both cases, establishments with PRP were more likely to have experienced such change but more so with respect to new machinery or equipment. They were asked whether, with any of the two changes labelled A or B, discussions or consultations were held with any of the following about the introduction of change or the way it was implemented: Individuals; groups; joint consultative committees; specially constituted committees; trade unions; or outside union officials? Both groups were more likely to discuss these issues with individuals rather than groups but the establishments with no PRP scheme had a higher propensity than those with PRP. This was also the case for specially constituted committees.

**Table 4.4: How are A and B introduced?**

<table>
<thead>
<tr>
<th></th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Negotiated with trade union reps and dependent upon their agreement</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>• Management still free to make the decision</td>
<td>74</td>
<td>53</td>
</tr>
<tr>
<td>• Not discussed with trade union</td>
<td>12</td>
<td>31</td>
</tr>
<tr>
<td>B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Negotiated with trade union reps and dependent upon their agreement</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>• Management still free to make the decision</td>
<td>66</td>
<td>69</td>
</tr>
<tr>
<td>• Not discussed with trade union</td>
<td>10</td>
<td>20</td>
</tr>
</tbody>
</table>

Base: All establishments experiencing changes in working practices, N = 1582 100%
Surprisingly, and against the picture of PRP as a means of individualising the employment relationship, PRP establishments were more likely to discuss issues with a joint consultative committee or hold meetings with groups of workers. However despite the picture above management felt that they retained the power to make decisions unilaterally. Table 4.4 highlights this clearly.

4.1.4 Employment practices

Those establishments whose respondents said that there had been reductions in the number of employees in the last 12 months were asked what had been the main reasons for them. Those with PRP were much more likely to have made these reductions due to automation/mechanisation/new equipment: 56% of PRP said that redeployment had been used to reduce a section or sections of the workforce. The figure for NPRP was only 35%.

Where compulsory redundancies applied during the last 12 months the basis of selection in PRP establishments was much more to do with monitoring performance than NPRP. For example, just under a third of PRP used disciplinary/attendance records as the basis for selection as opposed to just 10% of NPRP. Similarly, just over two-thirds used bad performance records while for NPRP, the figure was only 16%.

Where people had been employed, it was again significant that establishments with PRP were much more likely to take on white-collar and professional staff, while NPRP were much more likely to take on unskilled manuals.

Table 4.5: Which categories of employees were recently employed?

<table>
<thead>
<tr>
<th>Employment category</th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unskilled manual worker</td>
<td>38</td>
<td>52</td>
</tr>
<tr>
<td>Clerical/Admin./Secretarial</td>
<td>69</td>
<td>45</td>
</tr>
<tr>
<td>Senior tech. or professional</td>
<td>30</td>
<td>21</td>
</tr>
</tbody>
</table>

Base: all establishments recruiting in last 12 months, N = 1916
PRP establishment are also much more likely to have taken on freelance workers over the past 12 months and to have employed staff working on the basis of fixed short term contracts for 12 months or less

Table 4.6: Are any of the following services carried out for you by another company?

<table>
<thead>
<tr>
<th>Service</th>
<th>'No outside employees'</th>
<th>'Within the organisation'</th>
<th>'Not within the organisation'</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PRP</td>
<td>NPRP</td>
<td>PRP</td>
</tr>
<tr>
<td>Cleaning</td>
<td>33</td>
<td>55</td>
<td>4</td>
</tr>
<tr>
<td>Security</td>
<td>57</td>
<td>72</td>
<td>6</td>
</tr>
<tr>
<td>Catering</td>
<td>67</td>
<td>70</td>
<td>3</td>
</tr>
<tr>
<td>Building Maintenance</td>
<td>24</td>
<td>25</td>
<td>11</td>
</tr>
<tr>
<td>Printing</td>
<td>62</td>
<td>62</td>
<td>12</td>
</tr>
<tr>
<td>Payroll</td>
<td>56</td>
<td>45</td>
<td>30</td>
</tr>
<tr>
<td>Transport of documents</td>
<td>39</td>
<td>43</td>
<td>11</td>
</tr>
</tbody>
</table>

Base: all establishments where a service carried out, N = 1,871.

Table 4.6 shows that PRP establishments were less likely then NPRP to have any of these services carried out by people who were not employees of the establishment, except for payroll issues. It also shows that where the services were carried out, they were more likely to be provided from outside the organisation (i.e. by another related establishment).

When asked whether management gave employees or their representatives any information before the implementation of change, 60% said that they gave information about staffing or manpower plans. Of these, PRP establishments were more likely to say that they gave 'a lot' while NPRP were more likely to say 'a little'. Three-quarters said that they consulted staff over changes to work methods or work organisation but establishments with PRP were less likely than NPRP to consult over such matters.

Other types of information given to employees or their representatives concerned internal investment plans and the financial position of the whole
organisation of which the establishment was a part. With the former, establishments with PRP were more likely to give 'a lot' of information while non PRP were more likely to give 'non'. With the latter, however, NPRP were more likely to say that they gave 'a lot' of information while those establishments with PRP were more likely to give only 'a little' information or 'none' at all. Thus, it would seem that establishments with PRP were much more likely to give out information, albeit on a selective basis, but much less likely to consult with employees than did establishments without PRP schemes.

4.1.5 From industrial relations to human resource management?

To find out whether there was a changing relationship from industrial relations to HRM, various avenues were investigated, including an examination of the relationship between unions and their members, the state of collective bargaining arrangements, formal procedures and consultation and communication networks.

Union membership and recognition

This can be examined further by looking at the relationship with unions. Despite the fact that establishments with PRP were more likely to have no union members, they were still more likely to recognise a union, especially a non-manual union. PRP establishments were more likely to say that there had been a request for recognition by non-manual unions or members. It would thus seem that establishments with PRP were more likely to have seen a growth in non-manual membership and recognition, leaving questions about whether PRP was leading workers to seek protection or whether it was just the nature of the type of restructuring which may have been happening within the establishment (i.e. white collar restructuring).

Guest (1995) argues that an examination of establishments with greater than 50 employees in the WIRS90 data highlights that the presence of unions in the establishment was associated with less use of PRP. The analysis here of all establishments revealed that NPRP establishments were more likely to have a
combination of manual and non-manual members, but establishments with PRP were more likely to have either only manual members or only non-manual members. Those establishments without PRP schemes were more likely to have experienced a decrease in the number of trade unions or staff associations over the last three years. This does not fit with a picture of establishments attempting to rid themselves of unions through the use of PRP.

In terms of negotiating groups 60% of establishments with PRP had fewer negotiating groups than three years ago, but more PRP establishments (40%) said 100% of their employees were covered by the largest negotiating group, (compared with 32% for NPRP). The companies were also asked about the presence of stewards or representatives. Seventy per cent of PRP establishments with unions made up of only manual members said they had stewards or representatives while this was the case for 58% of NPRP. Again, for unions with non-manual members only, PRP (69%) were more likely to have representatives, compared with 53% of NPRP. Also, where there was union membership at the establishment, those NPRP establishments were more likely to be represented by a steward or a representative from outside the establishment. Thus, this suggests that PRP establishments have much better internal representative structures than NPRP. This looks more like establishments who were attempting to change the pattern of negotiations rather than to rid themselves of unions completely.

Where no unions were present, PRP establishments were also more likely to have non-union representatives (excluding safety officers) within the establishment, especially for non-manual workers. While this may be significant because PRP is prevalent for non-manual workers, it may also indicate that PRP establishments are more likely to have local non-union structures for white-collar workers.

**Collective bargaining**

For the purposes of collective bargaining, of establishments which recognised trade unions, those with PRP were more likely to have a written
agreement for non-manual workers (not significant for manuals). Only a quarter of establishments had attempted to alter these bargaining arrangements but establishments with PRP were more likely to be among these. Only five per cent of establishments had attempted to change bargaining in the direction of fewer trade unions although there was a slight tendency for this to be more common among establishments with PRP. This would bring into question the argument that PRP is being used directly to get rid of trade unions, and instead support that it has the effect of marginalising them, intentionally or not. This is further confirmed by the fact that only 10% of establishments had made moves towards creating fewer negotiating groups. Yet, again, this was significantly more likely to happen in establishments with PRP. In addition, of the 14% who said that they made checks to see if those they were hiring were trade union members, PRP establishments were much more likely to be in this group. Thus, companies with PRP seemed to be making changes to their bargaining arrangements in the direction of single-table bargaining yet not necessarily attempting to rid themselves of unions altogether. It would also seem that they were attempting to monitor who union members were which may indicate a closer monitoring of individuals.

Those establishments with negotiating groups were asked: ‘at which levels did negotiations which formed the basis or directly resulted in the most recent pay increase take place with unions?’ For manual workers, although the majority of both PRP and NPRP establishments said that either ‘national’ or ‘industry’ level was most important, those companies with PRP were less likely to say this was the case. For non-manual workers, the levels at which collective bargaining takes place became more pronounced than for manual workers. Those establishments with no PRP schemes were much more likely to negotiate at ‘national’ or ‘industry’ level (70%) whereas those establishments with PRP schemes were much more likely to negotiate at the ‘overall organisational’ level for all establishments. Not surprisingly, the ‘establishment’ level was more likely to be important for those companies with PRP than for those without.
Where the 'establishment' was the most important level for the most recent pay settlement, establishments with PRP were much more likely to consult with management 'here and at higher levels' (70%) in the organisation before the start of negotiations with trade unions than those without PRP (37%). This was also the case before the final settlement was made with union representatives at the establishment, although the percentages were lower (PRP 53%, NPRP 29%). In terms of the factors which influenced the level of pay which was decided upon, increased cost of living, recent productivity, labour market conditions and the individual employee were all areas mentioned by PRP companies, whereas ability to pay, based on external comparison, was a factor mentioned mainly by NPRP.

Establishments were asked whether the largest negotiating groups negotiate over certain issues such as working conditions, staffing levels, recruitment, redeployment, redundancy payments and the reorganisation of hours. In general, where the largest negotiating group was for manual workers, a picture emerged in which PRP establishments in total had a higher propensity to negotiate at the 'establishment' while NPRP had a higher propensity to negotiate at the level of 'all establishments' in the organisation. When this was broken down further, NPRP had a higher propensity than PRP organisations to negotiate both at the level of 'more than one employer' and 'all establishments' in the organisation. A similar picture emerged when asking at which level in the organisation the actual decisions were made.

There was, however, a change with the non-manual groups of workers in terms of the level at which negotiations take place. Instead of industry or national level being prominent, the level of the 'overall organisation including all establishments' became the dominant level. This time, however, there were differences over some of the issues that were dealt with. For example, NPRP establishments were more likely than PRP to negotiate over working conditions, staffing levels, recruitment and redeployment. PRP establishment were more likely to negotiate over redundancy pay and the reorganisation of hours.
In order to assess the arrangements which management had over various issues with non-manual groups who were not part of a trade union or staff association, establishments were asked whether there was a committee of non-manual representatives which discusses with management matters affecting any members of the non-manual workforce not covered by agreement with recognised trade unions or staff associations. PRP companies were more likely to say Yes (68%) while NPRP more likely to say No (52%). They were then asked how are pay levels set for these non-manual workers. Seventy-one per cent of PRP companies said higher in the organisation compared with 48% of NPRP. When asked whether they were set by some other body, 16% of NPRP said this was the case compared with none of the PRP establishments.

The establishments were then asked: ‘did management alone decide the pay of non-manual workers or did they consult or discuss with employees or their representatives before deciding on pay rates?’ Seventy per cent of PRP said that management made decisions unilaterally, compared with 41% of NPRP. Forty per cent of NPRP said it was through negotiation compared with 29% of PRP. The establishments were then asked what factors influenced the level of pay which was decided on at the last occasion. Forty-three percent of PRP said that performance of the establishment was a factor, compared with only one per cent of a NPRP. Yet more surprisingly, 51% of PRP said increased cost of living was a factor, compared with only 28% of NPRP. Thus, dual forces of performance and cost of living appeared to be acting upon each other.

Procedures and agreements

Where there was a formal procedure for individual grievances, 37% of establishments with PRP said they had employees who have formally raised matters in the last year, compared with only 20% of NPRP. Table 4.7 highlights the types of grievance which were raised:

In all issues, PRP establishments were more likely to have experienced employees using the procedure than NPRP, except in the area of pay which is
where most grievances were raised. The establishments were then asked which grievances were the procedures ineffective at handling. For PRP establishments, the main two were performance appraisal (45%, NPRP 0%) and relations between employees (25%, NPRP 7%). For those companies with no PRP, it was pay and allowances, job grading, conditions of employment and disciplinary matters.

Table 4.7: Type of grievance raised

<table>
<thead>
<tr>
<th></th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay and allowances</td>
<td>22</td>
<td>25</td>
</tr>
<tr>
<td>Job grading</td>
<td>12</td>
<td>6</td>
</tr>
<tr>
<td>Promotion</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Conditions of employment</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Performance appraisal</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>Disciplinary matters</td>
<td>23</td>
<td>21</td>
</tr>
</tbody>
</table>

Base: establishments where a grievance was raised, N = 899

Establishments were asked whether during the last year whether any of a list of disciplinary sanctions had been applied. Those areas where there was a significance showed that two-thirds of establishments with PRP said they used formal written warnings, compared with just over a half of NPRP. PRP were also more likely to use deductions from pay although this was only for a small minority of cases. The establishments were then asked whether during the past year any employees had been dismissed for reasons other than redundancy. Fifty-two per cent of PRP establishments said Yes, compared with 40% of NPRP.

Consultation and communication

One would expect that if trade unions are being marginalised and if HRM type policies were present, that systems for consultation and communication would be more common. Those establishments with PRP, however, were much less likely to have a committee whose primary concern was consultation.
Table 4.8: Most important matters discussed by JCC

<table>
<thead>
<tr>
<th></th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physical working conditions</td>
<td>9</td>
<td>1</td>
</tr>
<tr>
<td>Welfare</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Production issues</td>
<td>10</td>
<td>17</td>
</tr>
<tr>
<td>Financial issues</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Pay</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Working practice</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

Base: establishments with consultative committee, N = 934

Those establishments which have a joint committee of management and employees whose primary concern is consultation were asked: ‘what were the most important matters discussed’? It was found that production issues were more likely to be discussed in NPRP than in PRP, whereas PRP were more likely to discuss pay and working conditions type issues. Again this is in opposition to the portrayal of employees being integrated into the organisation as a valued element of production (Storey 1995).

Besides consultative committees, there were a variety of other ways in which management communicated with employees. As would be expected from the soft HRM approaches, regular meetings among work groups or teams to discuss aspects of performance (i.e. quality circles and so forth) were more likely to be present in establishments with PRP, as were regular meetings at least once a year between senior management and employees. Systematic use of the management chain for communication was used in three-quarters of those establishments with PRP compared with only half of NPRP establishments, thus resembling more of an old style unitary relationship. This is surprising in light of the expectation that communication would be more sophisticated in organisations which use HRM/TQM techniques and in large organisations which are part of a group.

To recap, establishments with PRP were more likely to have no union members than NPRP establishments, yet at the same time where members were
Present they were more likely to recognise a union. Further, there had been a growth of white-collar members and recognition in PRP establishments while NPRP had experienced a decline in unions. PRP establishments were also more likely to have union stewards or representatives present within the establishment, but fewer negotiating groups. Even so, they were more likely to have a collectively-bargained agreement. On a spectrum of 'national bargaining' to 'establishment bargaining', PRP establishments were more likely to be located at the establishment end of the spectrum.

Where there are no unions present PRP were also more likely to have representative structures, but this was accompanied by unilateral management decision making. PRP establishments were also more likely to have procedures in place and more likely to use them. Surprisingly, however, they were less likely to have systems for a committee whose primary concern was consultation than NPRP. Where they did, they were more likely to discuss pay and working conditions whereas NPRP where more likely to discuss production issues. This may be due to the fact that PRP establishments are more likely to have quality circles and teams which may be used for production issues. However, PRP were more likely to make systematic use of the management chain to communicate. This, again, remains more of an old form of paternalism than new HRM. This was also confirmed by the fact that twice as many establishments with PRP used suggestion schemes and they were also more likely to have a company newsletter. They were twice as likely to use regular surveys of employee views and, of those establishments who use video or film presentations, 94% also utilised a PRP scheme. Thus, it would seem that organisations with PRP had much more varied and sophisticated arrangements in place although there is some indication that they may have been attempting to simplify these arrangements.

4.1.6 Administration process

Baladamus (1961) argues that the causes of recurrent disorganisation are due to, on the one hand, changes to production techniques and technology, and on the other hand, imbalances in the distribution of effort and rewards. This means
that there is a possibility of an ineffective framework of controls which will be of strategic importance to the organisation. In order to stabilise effort levels, there has to be a change to the techniques of administration. For Smith (1991), this means a new strategy of 'cohesive autonomy' in which budgetary autonomy is achieved on the understanding that managers will 'manage out' a new socially-defined category of poor performers. While the WIRS90 data cannot confirm or refute these assumptions, we need to assess whether there are characteristics present which may signify differences in the systems of administration between PRP and NPRP establishments.

It would seem that PRP companies were also more sophisticated in terms of being likely to have some computer facilities in place. Again, this may be a function of size. It may however, also signify the extent of formal networking which Storey (1995) argues is essential to be in place for HRM practices. The table below highlights the differences in technological capacity.

<table>
<thead>
<tr>
<th>Type</th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Frame</td>
<td>25</td>
<td>16</td>
</tr>
<tr>
<td>Terminal link to other site within org</td>
<td>68</td>
<td>31</td>
</tr>
<tr>
<td>On-site mini-computer or other non-main frame</td>
<td>49</td>
<td>37</td>
</tr>
<tr>
<td>PC operating in isolation</td>
<td>68</td>
<td>58</td>
</tr>
<tr>
<td>PC linked to network</td>
<td>41</td>
<td>25</td>
</tr>
<tr>
<td>Terminal linked to computer belonging to another organisation</td>
<td>21</td>
<td>12</td>
</tr>
<tr>
<td>Home link</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Bureaux services</td>
<td>19</td>
<td>8</td>
</tr>
</tbody>
</table>

Base: all establishments with computer facilities, N = 1,601

Management organisation

In terms of management organisation, PRP was more likely to be present in establishments where there was more than one intermediate management level. One explanation might be that while management may need less explicit control, if viewed as the agents of the owners of the firm (Armstrong 1989), where there are many layers of management, there may be more of a need for systematic
methods of control (i.e. bureaucratic control (Edwards 1989)), to install norms of behaviour.

All those establishments which were part of a multi-establishment organisation, but which were not headquarters, were asked whether 'they had contact with a manager or director at a higher level and separate establishment within the organisation who spends the major part of their time on personnel or IR matters'. PRP were more likely to say yes, although this was the case, overall, for only half of the PRP establishments, compared with two-thirds of NPRP. When asked how regular the contacts with this manager were, those establishments with PRP were more likely to say once per month whilst those establishments without PRP were more likely to say once per week, thus pointing to more autonomy for establishments with PRP. Of course, this result says nothing about the nature of the contact, making it difficult to comment on autonomy.

Managers of establishments which were multi-establishments organisations had to make decisions about the appointment of new senior managers said these appointments would be made on the basis of a recommendation made at the workplace and then approved in the case of PRP companies by headquarters, and in the case of NPRP, by intermediate level. A similar representation of decision-making was apparent over the recognition or de-recognition of trade unions. Again, this may point to more autonomy for managers of establishments with PRP. When asked a similar type of question over the use of financial surpluses, NPRP companies were more likely to say that decisions could be made at the local or intermediary level, whilst PRP companies were more likely to say that intermediary or headquarters level authority was needed. Thus, budgetary control seemed more important for establishments with PRP while those without PRP were more centrally controlled over other employee-related issues. In terms of seeking external assistance over employee relations matters, companies with PRP were more likely than companies without PRP to have obtained advice from a person or body outside of the organisation.
4.1.7 Performance

When asked 'how does the level of labour productivity at the establishment compare with what it was three years ago?', establishments with PRP were more likely to say that their labour productivity was 'higher' or 'a lot higher', compared with similar establishments, whereas those without PRP were more likely to say 'the same'.

Table 4.10: How does productivity compare with 3 years ago?

<table>
<thead>
<tr>
<th>Level</th>
<th>PRP (%)</th>
<th>NPRP (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A lot higher</td>
<td>35</td>
<td>28</td>
</tr>
<tr>
<td>High</td>
<td>41</td>
<td>36</td>
</tr>
<tr>
<td>Same</td>
<td>21</td>
<td>31</td>
</tr>
<tr>
<td>Low</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>A lot lower</td>
<td>0</td>
<td>3</td>
</tr>
</tbody>
</table>

Base: establishment replying to question, N=1,099

When asked the same question about financial performance, however, those establishments with PRP were more likely to say 'below average' and those with no PRP were more likely to say 'average' or 'above average'. This throws up some interesting questions which, will be discussed in later chapters, concerning how PRP affects company performance and vice versa.

Further confusion is added by the fact that in terms of management relations, those establishments with PRP were more likely to provide a spectrum of views from 'good' to 'poor' while those with no PRP were more likely to say 'very good'. One interpretation of this may be that PRP may cause poor relations or that PRP is a response to a poor climate. Another may be that the introduction of PRP is part of wider restructuring which has caused unrest at the workplace. Either way a picture emerges of establishments who have high productivity, but who feel they are struggling financially and experiencing industrial relations problems.
4.2 PRP Schemes Part 2: The case studies

In most of the prescriptive literature, PRP is portrayed as an integrated system, and despite the fact that different concepts are intrinsically recognised, there is still a tendency to portray it as a coherent whole. Furthermore, consultancies are well known for attempting to sell 'off the shelf' schemes which are then 'tinkered' with to suit the employers needs. There has been very little comparative research, however, into the processes involved with PRP. In particular, there is little indication of how the organisational context interacts with the schemes or the choice of scheme (Kessler 1994). Further, there is little indication of what management's objectives are and whether these were in fact met (cf. Thompson 1992; Kessler and Purcell 1992; Kessler 1994). As Kessler and Purcell (1992: 19) state, 'an understanding of why a company chooses a particular type of PRP system must be rooted in a broader appreciation of the organisational and industrial relations context within which it operates'. Kessler and Purcell (1992) did not manage to do this wholeheartedly in their research but they did go some way to begin to highlight the differences that exist. Also much of the academic literature (e.g. French and Marsden 1997) is about evaluations, not the schemes themselves. In this and subsequent chapters, the thesis seeks to address these issues and highlights the complexities of the various schemes. Companies were not found to be implementing PRP as a completely new system, strategically thought out and well integrated, however much they might have wished to do so. PRP might be very different to previous schemes but it is still constrained by historical and organisational boundaries (Rubery 1997). Further, some existing institutional arrangements may be costly to change and may be taken for granted to such an extent that no one thinks of changing them (Edwards 1990).

4.2.1 The case study companies and their schemes

For this stage of the research approximately 60 managers, and where possible, workplace representatives, were interviewed using a semi-structured questionnaire. Interviews were conducted with the most senior managers
concerned with pay and related issues such as policy and finance at different levels within the organisation. Documentation was also provided by the companies about their schemes. Some people were interviewed more than once over the research period, thus giving it a longitudinal aspect.

Table 4.11 lists the 16 companies that took part in the research. It can be noted that a great many of them are MNCs or subsidiaries of foreign owned MNCs and are therefore quite large employers, thus confirming the findings from the WIRS90 data.

An examination of these companies and their reward schemes highlights that there seemed to be no limit to the number of schemes that a company could use.

Table 4.11: Case study companies

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>LINE OF BUSINESS</th>
<th>EMPLOYEES</th>
<th>OWNERSHIP/ STATUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Co</td>
<td>Manufacture of electrical components for the</td>
<td>503</td>
<td>US. Subsidiary.</td>
</tr>
<tr>
<td></td>
<td>telecommunication industry</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TV Co</td>
<td>T.V. and Radio</td>
<td>23000</td>
<td>UK. MNC</td>
</tr>
<tr>
<td>Bank Co</td>
<td>Banking and Finance</td>
<td>89400</td>
<td>UK. MNC</td>
</tr>
<tr>
<td>Retail Co</td>
<td>Retail chemists</td>
<td>81260</td>
<td>UK. MNC</td>
</tr>
<tr>
<td>Air Co</td>
<td>Airline company</td>
<td>58210</td>
<td>UK. MNC</td>
</tr>
<tr>
<td>Insurance Co</td>
<td>Insurance and Finance</td>
<td>2870</td>
<td>German Subsidiary.</td>
</tr>
<tr>
<td>IT Co</td>
<td>Information technology/Computer systems</td>
<td>1777</td>
<td>UK</td>
</tr>
<tr>
<td>Public Agency Co</td>
<td>Public services</td>
<td>36793</td>
<td>UK</td>
</tr>
<tr>
<td>Health Co</td>
<td>NHS Trust Hospital</td>
<td>2022</td>
<td>UK</td>
</tr>
<tr>
<td>Public Co</td>
<td>Public services</td>
<td>52252</td>
<td>UK</td>
</tr>
<tr>
<td>Tyre Co</td>
<td>Tyre/Exhausts</td>
<td>5530</td>
<td>UK MNC</td>
</tr>
<tr>
<td>Building Soc. Co</td>
<td>Building Society</td>
<td>10815</td>
<td>UK</td>
</tr>
<tr>
<td>Car Co</td>
<td>Car service/sales</td>
<td>2764</td>
<td>UK</td>
</tr>
<tr>
<td>Pharm. Co</td>
<td>Pharmaceutical manufacture</td>
<td>53808</td>
<td>UK MNC</td>
</tr>
<tr>
<td>Oil Co</td>
<td>Oil producer</td>
<td>2652</td>
<td>French Subsidiary.</td>
</tr>
</tbody>
</table>

Five companies had one scheme, seven had two schemes, two had 3 schemes and one company had five schemes. Within this eight companies commented that their schemes were their 'first attempt', one said that it was
attempting to introduce a 'real' PRP scheme for the first time. The rest had all changed their schemes at least once in the last five years. Initially this seemed to indicate that the companies, in contrast to what is suggested in the prescriptive literature, recognised the fact that differences may be needed to address different occupations. It would seem, however, that, within this broad picture there were certain trends that pointed against this. In particular, companies were moving towards a simplifying of grading structure with less grades but with wider band ranges. There also seemed to be a movement towards a single scheme for all employees (although this usually meant a different slant between the senior management version and that for the vast majority of employees), thus pointing to a narrowing of the amount of schemes any company used and a convergence of pay schemes within any one company.

Table 4.12 highlights the main characteristics of each of the schemes. Retail Co. had two distinct divisions - manufacturing (Engineering Co, a sub-division of this was studied) and retail. Thus, it was treated as two separate companies.

4.2.2 PRP Schemes

From Table 4.12 overleaf it is possible to identify three broad categories of schemes, although in reality many contained mixed elements. First, there were those companies which did not really reflect PRP given a strict definition of the term. Instead, the vast majority of their performance related element was determined by profit related issues and not an evaluation of their personal performance through appraisal. Thus resembling more of a PBR scheme than a PRP one. These include Electric Co, Tyre Co and Car Co. All three organisations, however, insisted that their schemes were, in fact, PRP. For this reason, although they did not meet the criteria set out by the definition here, they were included in the research in order to investigate how much they differed from other schemes. Second, there were companies where assessment was very much based on behaviours. Example included Air Co, Engineering Co, Insurance Co,
IT Co and Health Co. The rest were based on the principle of meeting objectives (e.g. performance management).

The table highlights the finding that, despite the argument that PRP allows a greater propensity to differentiate between individual performance, all of the schemes were highly centralised in terms of both design and application. Local autonomy was confined to the awarding of ratings, and even in these cases, many managers complained that their hands were partly tied by central guidelines. For example, the way in which guidelines were written purposely placed all but the very best and the very worst performers in the 'average' category.

Most organisations had grade bandings and there was a distinct trend towards wider salary ranges with many smaller incremental steps in between. This, thus prevented staff from progressing through the salary range too rapidly. All of the schemes contained a minimum and maximum involving non-consolidated pay increases once the max. had been achieved. In the case of those schemes involving performance related bonuses, these were solely non-consolidated regardless of position in the salary range.

Many of the older schemes contained a wide range of ratings. Once again, however, there was a definite trend towards the narrowing of ratings, with performance management schemes containing only three ratings - exceed, meet or fail - thus making it much more difficult to differentiate between performance. Hence, it would seem that that performance ratings were more about identifying the 'very best' or the 'very worst' performers and not about rewarding performance per se. An individual could perform 100% better by his her own standards but if he/she did not achieve the standards set by the organisation then they would fail.
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>ELECTRIC Co</th>
<th>BANK Co</th>
<th>TV Co</th>
<th>ENGINEERING Co</th>
<th>RETAIL Co</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link to Business Plan</td>
<td>Only via TQM</td>
<td>Yes</td>
<td>Indirectly</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>T.U. Involvement</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Relationship with payroll costs</td>
<td>Cannot exceed % of payroll</td>
<td>Budget</td>
<td>Budget</td>
<td>Budget</td>
<td>Budget</td>
</tr>
<tr>
<td>Centralised/Decentralised</td>
<td>Centralised in UK</td>
<td>Centralised</td>
<td>Central guidelines</td>
<td>Divisionally centralised</td>
<td>Divisionally centralised</td>
</tr>
<tr>
<td>Salary Ranges</td>
<td>No</td>
<td>min 88 bar 100 max. 110</td>
<td>min 100 max. 150</td>
<td>Hay</td>
<td>Hay</td>
</tr>
<tr>
<td>Standard, PRP or Bonus?</td>
<td>Productivity Bonus</td>
<td>PRP and PRP Bonus</td>
<td>Standard, PRP, and PRP Bonus</td>
<td>Standard and PRP</td>
<td>PRP</td>
</tr>
<tr>
<td>Performance/Pay Link</td>
<td>Direct output/labour cost link. Maximum 6% of additional profit</td>
<td>Appointed: Depends on perf. rating and where you are in the range. Up to 20% bonus Unappointed: Depends on overall rating.</td>
<td>Increment depends on appraisal/competence. Bonus paid to 20% of staff only but no larger again than standard rise</td>
<td>% decided for each rating/ min and max. % guidelines.</td>
<td>Min and max. % Guidelines. Max. n+2%, where N= standard rise</td>
</tr>
<tr>
<td>Products/Service?</td>
<td>Electrical components</td>
<td>Banking and other financial services</td>
<td>T.V. and radio</td>
<td>Engineering maintenance work</td>
<td>Retail, Manf/Retail Pharmaceutical</td>
</tr>
<tr>
<td>Flexibility of the award?</td>
<td>Set basic/ Flexible PRP</td>
<td>Bonus - Flexible, Increments - None</td>
<td>Flexible</td>
<td>None</td>
<td>Within the guidelines</td>
</tr>
<tr>
<td>Percentage or movement in the range?</td>
<td>% non consolidated</td>
<td>Increments - Non consolidated after Max. of scale % Bonus - non consolidated</td>
<td>Increment and % Bonus non consolidated</td>
<td>% Consolidated</td>
<td>% Non consolidated at Max.</td>
</tr>
</tbody>
</table>
Table 4.12: Main Characteristics of PRP Schemes

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>AIR Co</th>
<th>INSURANCE Co</th>
<th>PUBLIC AGENCY Co</th>
<th>HEALTH Co</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link to Business Plan</td>
<td>Yes - Unit mission statement.</td>
<td>No</td>
<td>Yes - ES Essentials (6).</td>
<td>No</td>
</tr>
<tr>
<td>T.U. Involvement</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Relationship with payroll costs</td>
<td>Budget</td>
<td>Budget</td>
<td>Budget</td>
<td>Budget</td>
</tr>
<tr>
<td>Centralised/ Decentralised</td>
<td>Centralised but moving towards guidelines</td>
<td>Highly centralised</td>
<td>Centralised</td>
<td>Centralised</td>
</tr>
<tr>
<td>Salary Ranges</td>
<td>Hay</td>
<td>min bar max.</td>
<td>New pay spines with more but smaller steps.</td>
<td>Grade with Pay spines</td>
</tr>
<tr>
<td>Standard, PRP or Bonus?</td>
<td>PRP and bonus?</td>
<td>PRP?</td>
<td>PRP?</td>
<td>PRP?</td>
</tr>
<tr>
<td>Ratings?</td>
<td>Each KRA rated for success criteria on 6 point scale 'rarely' to 'always'. Also 6 point scale for difficulty. Then overall 8 point rating for achievement of results: 'Unacceptable', 'Acceptable at times', 'Acceptable', 'Good', 'Consistently good', 'High', 'Excellent', 'Outstanding'. Each management practice is then rated using the above and then a summary rating given. Again using the above.</td>
<td>Every time = 9 pts</td>
<td>Box A= Outstanding</td>
<td>Unacceptable = 0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nearly always = 7 pts</td>
<td>Box B= Good perf.</td>
<td>Expected = 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Usually = 5 pts</td>
<td>Box C= Generally satisf.</td>
<td>Very good = 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sometimes = 2 pts</td>
<td>Box D= Perf. not satisf.</td>
<td>Outstanding = 3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rarely = 0 pts</td>
<td></td>
<td>Snr mngt:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Band 1 = Exceeds short and long-term goals</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Band 2 = Meets short and long term goals</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Band 3 = Meets short term and some long</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Band 4 = Meets few short or long term goals</td>
<td></td>
</tr>
<tr>
<td>Criteria?</td>
<td>KRA Success criteria: Met planned/agreed timescales, Met customer/client needs, Controlled costs and maximised resources. Management Practices: Planning and organisation, Judgement and decision making, Commitment and urgency, Flexibility and innovation, Strategic and business awareness, Communication and influence, Leading and motivation, Application and special knowledge.</td>
<td>Their are fourteen criterion broken down into 6 main categories as follows: a)Job knowledge; b)Quantity of work; c)Quality of work; d)Relationships with others; e)Communication; f)Supervision.</td>
<td>IS Essential (6) - Each as a set of sub descriptions (3 to 6).</td>
<td>Key areas + standards grid with 15 criterion. These are different for each job</td>
</tr>
<tr>
<td>Performance/Pay Link</td>
<td>Score worked out on a 60/40 weighting of 'achievement of results' and 'Management practices'. e.g. 3.6% Range 0 - 7%</td>
<td>Scores totalled in the range 0 - 126. Total scores are then separated into levels to suit the distribution of monies. Each performance level is allocated a pay increase e.g. average = 4.3% Range 0 - 6.7%</td>
<td>Certain grades attract different shares for certain box marks. Shares then have a % attached to them. Value of share depends on affordability.</td>
<td>Total score under each heading is achieved by multiplying it with a weighting. Potential max. score of 300. Number of increments is dependent on final rating and position in the spine. Mngt scheme: Band 4 = 0% Band 3 = up to 3% Band 2 = up to 7% Band 1 = up to 10%</td>
</tr>
<tr>
<td>Products/Service?</td>
<td>Airline services</td>
<td>Insurance</td>
<td>Employment</td>
<td>NHS Trust</td>
</tr>
<tr>
<td>Flexibility of the award?</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None for nurses/midwives Flexible for staff</td>
</tr>
<tr>
<td>Percentage or movement in the range?</td>
<td>% Increment</td>
<td>%</td>
<td>%</td>
<td>Increment and %</td>
</tr>
<tr>
<td>COMPANY</td>
<td>IT Co</td>
<td>PUBLIC Co</td>
<td>OIL Co</td>
<td>TVRE Co</td>
</tr>
<tr>
<td>-------------</td>
<td>-------</td>
<td>-----------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td>Link to Business Plan</td>
<td>Not really</td>
<td>Yes</td>
<td>Not really</td>
<td>Not really</td>
</tr>
<tr>
<td>T.U. Involvement</td>
<td>No</td>
<td>Yes</td>
<td>Yes?</td>
<td>No</td>
</tr>
<tr>
<td>Relationship with payroll costs</td>
<td>Budget</td>
<td>Budget</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralised/ Decentralised</td>
<td>Centralised</td>
<td>Centralised</td>
<td>Centralised</td>
<td>Highly centralised</td>
</tr>
<tr>
<td>Salary Ranges</td>
<td>Grades which are quite flexible within HR guidelines</td>
<td>5 new pay bands, divided into 10 spans. Each has a fixed min and max. but no set points in between</td>
<td>Min.</td>
<td>Basic rates</td>
</tr>
<tr>
<td>Standard, PRP or Bonus?</td>
<td>PRP</td>
<td>A and B = PRP C to E = General + PRP</td>
<td>PRP</td>
<td>PRP</td>
</tr>
</tbody>
</table>
| Ratings? | AA to D: 
AA = Excels
A= consistently demonstrates all B= Consistently demonstrates the majority C= Demonstrates some D= Needs development/ consistently fails. | Not met Succeed Exceed Exceed extra loaded | Rating Exempt Non Exempt Incremental 1 Far exceeds Excellent Excellent 2 Exceeds V. Good V. good 3 Meets on all Co Standard Co standard 4 Meets on some Below Ave. Below Ave. 5 Fails to meet Unsatisfact. Unsatisfact. | No formal appraisal but quality is monitored. |
| Criteria? | 9 Generic Competences: 
People orientation; Communication skills; Technical ability; Initiative; Planning and organisation; Motivation; commercial orientation; Leadership/control; Decision making. | Performance agreement/contract: Whole job Key responsibilities Objectives Pers. Development Rev.: Core competences: Managing people; managing resources; oral communication; written communication; Interpersonal skills; analytical skills; decision making; forward thinking. | Performance factors: Job skills/knowledge; problem solving; interpersonal skills; quality/quantity of work; employee development; health, safety and environment; knowledge/ application of Co policy/procedure; Planning, org., and control. Exempt workers also have key objective set. | Based on additional profit Award can be up to 10% of additional profit |
<p>| Performance/Pay Link | Each competence has top be rated from AA to D and then an overall mark given using the same ratings. Also a category for Rating risk of the person leaving the company and importance to the company. Appraisers then have to rank their staff 1 to XX. 1 being the most important person XX being the least. Pay budget is the shared among those people who are most important or higher performers. | Bands are split into layers. Different layers and ratings will be awarded different percentages. Overtaking on grades is prevented. Range = 0 - 10% | ?Percentage guidelines for Exempt/Non-exempt Increment for the other scheme. Amount depends on average in economy | Depending on job you are allocated so many shares of sales profit Sales are split into two; Mechanical and non mechanical. PRP profit is generated by sales above agreed targets. |
| Flexibility of the award? | Completely | None | Flexible | Only in terms of sales |
| Percentage or movement in the range? | % Consolidated/non consolidated | % | %/ increments | Share basis Non consolidated |</p>
<table>
<thead>
<tr>
<th>COMPANY</th>
<th>BUILDING SOCIETY Co</th>
<th>CAR Co</th>
<th>MANUFACTURING Co</th>
<th>PHARM Co</th>
</tr>
</thead>
<tbody>
<tr>
<td>Link to Business Plan</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>T.U. Involvement</td>
<td>Yes</td>
<td>No</td>
<td>Yes/no (some plants unionised, others not)</td>
<td>Yes/no (some plants unionised, others not)</td>
</tr>
<tr>
<td>Relationship with payroll costs</td>
<td>Budget</td>
<td>Budget/sales</td>
<td>Budget</td>
<td>Budget</td>
</tr>
<tr>
<td>Centralised/ Decentralised</td>
<td>Centralised</td>
<td>Centralised guidelines</td>
<td>Centralised</td>
<td>Centralised Guidelines</td>
</tr>
<tr>
<td>Salary Ranges</td>
<td>Min.</td>
<td>Min.</td>
<td>Min.</td>
<td>Min.</td>
</tr>
<tr>
<td></td>
<td>Max.</td>
<td>Max.</td>
<td>Max.</td>
<td>Max.</td>
</tr>
<tr>
<td>Standard, PRP or Bonus?</td>
<td>PRP and Bonus</td>
<td>PRP</td>
<td>PRP</td>
<td>PRP</td>
</tr>
<tr>
<td>Ratings?</td>
<td>1.0- Unacceptable 1.5- Unacceptable/less than effective 2.0- less than effective 2.5- less than effective/fully effective 3.0- fully effective 3.5- F. effective/ V. effective 4.0- very effective 4.5- V. effective/ outstanding 5.0- Outstanding.</td>
<td>1 = Needs considerable improvement 2 = Needs improvement 3 = Meets acceptable standards 4 = Exceeds acceptable standards 5 = Exceptional</td>
<td>Exceeded Achieved Needs improvement Unsatisfactory Not enough info.</td>
<td>O - Outstanding E - Excellent G - Good S - Satisfactory R - Req. Improvement U - Unacceptable</td>
</tr>
<tr>
<td>Criteria?</td>
<td>Key result areas(4-7) Objectives key tasks targets.</td>
<td>Training, Sales, Appraisal.</td>
<td>Core values: Excellence; teamwork; customers; commitment; innovation; people. Key responsibilities objectives of which there are three types: Operating; people development; strengthening the business.</td>
<td>Performance areas Q measures indices objectives action plan SMART</td>
</tr>
<tr>
<td>Performance/Pay Link</td>
<td>Between 1.4% and 5% for those with a rating above 2.5. Plus another 1% of basic salary bill for discretionary bonuses. e.g. 3.5 ave. Range = 1.4 - 5%</td>
<td>Fixed points decide what basic via training. Matrix decides bonus element. Max 25% of salary.</td>
<td>The rating/pay relationship is not quite pure i.e. guidelines are given but left to mgmt discretion e.g. between 3-5%. Each department has own budget to share as please.</td>
<td>There is a competency framework for each grade band and performance will help decide the level of pay that an individual should receive Via Matrix. e.g range = 0 - 10%</td>
</tr>
<tr>
<td>Flexibility of the award?</td>
<td>Flexible</td>
<td>Some flexibility</td>
<td>Flexible</td>
<td>Matrix</td>
</tr>
<tr>
<td>Percentage or movement in the range?</td>
<td>% guidelines Bonus non consolidated</td>
<td>Increment Bonus non consolidated.</td>
<td>% Guidelines Consolidated</td>
<td>Increment Non consolidated at Max.</td>
</tr>
</tbody>
</table>
Only seven of the schemes had an amount of flexibility in the way awards were distributed. Further, only two schemes - Retail Co and IT Co - had the ability to make awards at the local level. Even then, the amount of flexibility was within strict guidelines for the percentage range they were allowed to award or the overall budgets allowed for each department. Some might argue that this is not surprising as all pay systems work to budgetary controls. The major difference with PRP, however, is that it was portrayed as being about individual performance. Thus, individuals expected to be rewarded according to their own expectations and not those of the organisation.

Despite the three broad categories, it can readily be seen then that the schemes were far from uniform between the companies despite the fact that most were described as performance management schemes. This was also the case for guidelines on ratings, criteria and the performance pay link. In an attempt to portray this visually, two diagrams were created to highlight the assessment criteria and the link with pay. Diagram 4.1 illustrates the diversity of performance assessment criteria and the ways in which they are connected with each other. It can best be visualised as four separate triangles with the company triangulated between the three main axis of the triangle, but affected by the pull of factors in other triangles.

The diagram attempts to locate each company on a matrix according to the criteria used to appraise employees. So, for example, ‘productivity’ signified those criteria which were linked directly to measures such as sales or output, whereas objectives signified those criteria where targets or objectives were set for individuals to achieve. Armstrong (1996) argues that objectives should be clearly defined in quantified or output terms, thus making them very similar to ‘productivity’ measures. For many jobs, however, objectives can only be expressed in qualitative terms. This leaves much room for interpretation and application. In general, however, the aim was to agree objectives in the form of performance standards which state that a certain aspect of the job will be done.
well if certain criteria happen. Hence, objectives can be defined as targets, standards or projects to be completed.

DIAGRAM 4.1

On the horizontal axis, 'competences' are supposed to signify a measure of an individual's occupational skills and experience while 'behaviours' signify the kind of behaviours which employees are to display while engaged in their work. 'Core values' reflect a largely American concept, linking a whole range of factors that the company believes to be its core aims and objectives. These are often linked to the competences or behaviours. The problem with the horizontal axis is that, in reality, the differences between the three factors along it could be very wide or a very thin dividing line. For example, competences could refer to skills or they might be no more than behavioural factors. Competency, like many of the concepts relating to PRP has become another one of the buzzwords of the 1990s.

Armstrong (1996) argues that competitive advantage is to be gained by concentrating on the organisation's unique competences. For many organisations
the need to respond rapidly to change, a concentration on costs and the perceived need to develop management have made this all the more attractive. The only problem has been that the term is riddled with inconsistencies, with no one person or organisation ever agreeing on what the term itself means. Armstrong argues that competences represent the functional aspect while behaviours represent those that affect the job, but Antonacopoulou and FitzGerald (1996: p27) assert that they are 'virtues unique to each individual which are expressed in the process of interacting with others in a given social context', thus making them 'more' then a set of skills.

The idea behind a competency framework is to develop an accepted inventory of competences so that standards can be applied to the diagnosis and fulfilment of development. Skills are, however, to a large extent, socially constructed and the way that any one person utilises a skill may be different to another's approach. As such competences may be more to do with attempting to standardise.

"The task of detailing competences is unlikely ever to be completed, the movement is a manifestation of the quest for certainty in human affairs...In this respect, competency based models can be viewed as an effort to exert a controlling and restricting influence...In as much as the competency statements are compiled apart from the circumstances to which they allude, they carry with them an air of artificiality" (Antonacopoulou and FitzGerald, 1996: 32).

Therefore they are less about performance and learning, and more about measurement and accreditation.

To look at some examples of how to use the diagram, Bank Co utilised a mixture of criteria based on competences and objective-setting while Pharm Co used competences and objective-setting related to the core values of the company. The diagram is not supposed to be a scientific method of looking at the appraisal procedure but rather a means of visualising the diversity of methods used without having to go through each scheme in detail.
Diagram 4.2 further illustrates the diversity of means which are then used to relate appraisal to the pay link. Again the main purpose of the appraisal/pay matrix is to show the diversity of schemes. The two categories in the centre of the matrix signify that most of the companies have some kind of rating system and band ranges within their grading structure. The categories along the outside of the hexagon show the different methods used to link reward to the individual’s performance.

‘Direct’ refers to where there is a direct relationship between performance and some element of the reward package, as is the case with Tyre Co whose performance related element is directly related to their production via profit levels. ‘Discretion’ refers to the case where managers have some element of opportunity to award as they see fit, but often within guidelines.

‘General’ refers to those cases where there is a general cost-of-living increase as well as a PRP element. ‘Shares’ is exactly as it implies in that the ‘pay pot’ will be shared out on the basis of some pre-determined formula of so many shares per rating. ‘Scores’ refers to those schemes where an overall score is applied to performance and then certain amounts of pay are given to certain scores (e.g. Health Co). ‘Levels’ are where the pay bands are split into layers for the purpose of sharing out pay within a particular pay spine (e.g. Public Co). Each of the latter three have in common a preoccupation with controlling the distribution of pay into either a forced distribution, which implies a normal distribution of performance, or a ranking which largely makes the same assumption. The headings have been arranged around each trapezium within the diagram so as to allow the company to be further distinguished between the various other factors. For example, at Tyre Co pay is related via a mixture of a direct link to the total amount of sales within a branch and individual shares which are based on the representation of skill and hierarchy.
Another example is Air Co where ratings were scored through a complex software programme which then distributes them into levels which gives a percentage increase depending where one was located in the pay range. The two diagrams do not relate to each other at this stage but they do emphasise the diversity of means available to companies.

4.2.3 Design of the schemes

Just over half of the companies indicated that they used consultants in the design of their present schemes and although the companies did not in general have very positive comments about the role of consultants, this did not seem to stop them from using them again when designing new schemes. There seemed to be no clear pattern emerging with regard to the use of consultants, despite the fact that many companies did not have good experiences with them. The most consistent criticism seemed to be that consultants attempted to push their own
particular schemes and did not want to customise them to suit the individual circumstances of the companies.

Despite the fact that most of the companies realised that their own particular structures were very important, only one company said that it involved all of its own line management in the design of its schemes. For most companies, it seemed that schemes were either designed by senior managers or small working parties, sometimes in conjunction with consultants.

None of the companies actually involved employees in the design of the schemes although five said that they had involved trade unions. This was out of a total of 13 which had unions present for at least some proportion of their employees, all of which now took part in these schemes. What this meant was that the companies usually first designed the type of scheme that they required and then offered it to the unions for comment. This usually meant that the unions were left negotiating about a scheme that was drawn up on management's terms. Kessler and Purcell (1995) argue that in a minority of cases, unions are actually able to take part on joint working parties and detailed negotiations to design the schemes. This is confirmed by this research but rather than the emphasis being on the positive side of this process, it was difficult for unions to do anything other than negotiate around the ground rules that management and consultants had already prepared. Unions were usually ill-prepared and received little backup from regional or central union headquarters. This was, thus, by no means an equal status relationship. The unions may be able to influence the outcomes but they were not taking part in working parties as equal parties to the bargain and usually the consultants were presented as 'third party neutrals' rather than as being in the employ of the company.

4.2.4 The Role of appraisal

All of the schemes, except those in Electric Co and Tyre Co were based on a formal appraisal (which is considered by this author to be one of the distinguishing features of a PRP scheme). It is therefore worth looking further at
the concept of appraisal before we examine why the schemes were introduced in the next chapter. Appraisal is important, not least because it forms a pivotal role in PRP in deciding how the criteria of individual performance should be set, how the individual meets the criteria set to measure his/her performance and therefore how much reward he/she should be allocated.

As Newton and Findlay (1996) point out, our knowledge of appraisal is lacking for a number of reasons, not least because most descriptions of it adhere to a neo-human relations perspective which leads to a unitary approach to the subject. Where problems are recognised they are seen to be more to do with the conflicting role of the appraiser as both ‘judge’ and ‘counsellor’. More recent definitions of appraisal from those who adhere to the performance management school assume that matters are much clearer now in that the whole organisation is included in the appraisal process and that appraisal is now based on agreement, expectation and development (Armstrong 1996). The focus is now squarely on improving performance rather than employee behaviour per se. Behaviour is more focused on outputs than the input of the job. These views are inadequate for a number of reasons, not least because they do not recognise the dynamic nature of the employment relationship.

Another way of looking at appraisal is from a labour process perspective. A simplistic labour process explanation of appraisal would be purely to a means by which management forces labour to work harder. A more dynamic approach, however, would recognise both consent and conflict. It is argued, for example, that changes in work organisation which require the exercise of discretion have produced a particular kind of control problem for management (Townley 1989) in that they have to find new means of control other than direct supervision. Appraisal is one of the means by which management have sought to regain control and there are various ways in which it can be used to do so. One is through setting the agenda (Townley 1993). Management legitimises the target-setting process by giving the impression that the targets are externally set while at other times control
is said to be implicit through employees setting their own targets whilst being told what goals are valued by the organisation.

For the organisation access to and control of information is a crucial element of the appraisal scheme. Yet this introduces one of the inherent paradoxes of appraisal: that the information required to ensure effective work organisation will not be forthcoming from individuals if it is thought that this will jeopardise them in some way (Townley 1993).

It is also argued that Burawoy's (1979) 'playing the game' and 'making out' are particularly relevant to appraisal, given its emphasis on management strategies aimed at eliciting a measure of voluntary compliance (e.g. appraisal can be seen as a process through which previously collective issues such as performance levels and allocating pay increases are transferred to the level of the employee and their supervisor).

Performance appraisal also stimulates competition by employees ranking themselves against each other. Thus, it may be less to do with performance management and more to do with legitimising management decision making. It has also been argued that appraisal is the 'paper equivalent' of Foucault's 'surveillance panopticon' - an information panoptican (Townley 1993. Newton and Findlay 1996) - that is, anonymous and continuous surveillance as seen in the articulation of the monitoring role. It represents the extreme of control at a distance and allows the absence of face-to-face contact without the absence of control. It is argued that the rhetoric of delegation and decentralisation may help to disguise enhanced surveillance and concentrate power at the centre.

Townley also argues that appraisal is about the setting of norms, while Newton and Findlay say that it is more concerned with Taylor's 'first class worker' idea than with the setting of norms (i.e. management set the outlier as the model employee performance. In traditional labour process terms management try to squeeze out the last drop of surplus value out of labour).
However, workers can often be aware of the attempts to reshape their attitudes but see that relative gains are to be made by complying. There is a need, therefore, to acknowledge the propensity of employees to resist the normative influences of appraisal. Appraisal schemes rarely work as their formal procedures suggest so it is not difficult to argue that appraisal remains intrinsically linked to the contested terrain of control and that this lies at the heart of the management of the employment relationship. In consequence, performance appraisal needs to be seen in the broader context of other forms of performance management, surveillance and accountability (Newton and Findlay 1996).

4.3 Summary

In part one of this chapter it was highlighted that, as contingency theory would predict, there were certain distinctive factors about the organisations which utilised PRP. Yet, true to the prediction in chapter two that organisations have an area of choice over the way they implement policies and strategies it was shown in part two that even in only 16 organisations the application of the schemes had many differences even where on paper they appeared to be exactly the same.

4.3.1 The average PRP establishment?

We now have a picture of the average PRP establishment, one which is large in size but also part of a much larger organisation. As expected, product market factors also produced distinctive results. The PRP establishment is much more likely to produce a range of goods and services which were not sold to other parts of the organisation and were more likely to account for only a small percentage of total UK sales for the organisation. If the establishment produced a single product or service, then it is more likely to sell it to another part of the organisation. Most establishments had many customers and competitors although a significant minority dominated their market. Demand for the product was also more likely to be sensitive to movements in prices, thus suggesting that for the majority of PRP establishments, there is, indeed, a highly competitive market.
PRP establishments experienced much more change, both in terms of the reduction of demarcation lines and an increase in the introduction of flexibility, especially for white collar-workers. They were more likely to have experienced reductions in the workforce due to automation or new machinery and to have reduced the workforce through the redeployment of staff. They were more likely to be experiencing changing employment practices including reductions in staff due to automation, redeployment and the use of performance as a means of ‘managing staff out’.

Importantly, the data point to the fact that the individualisation of the employment relationship is much more complicated than many commentators (e.g., Kessler and Purcell 1995) have hitherto envisaged. It would seem that establishments with PRP were more likely to have seen a growth in non-manual membership and recognition, leaving questions over whether PRP was leading workers to seek protection or whether it was just the nature of the type of restructuring which may be happening within the establishment (i.e., white collar restructuring).

PRP establishments are likely to have more than one union present and were likely to have experienced a growth of both non-manual union membership and recognition. They are also less likely to have experienced a decrease in the number of unions recognised. A similar picture emerged for negotiating groups although PRP were likely to have experienced a slight reduction due to ‘job decreases’. PRP establishments were also more likely to have a steward or representatives present and to have a written agreement for collective bargaining - with few attempts at altering these arrangements. As expected, those with PRP were also more likely to have decentralised forms of collective bargaining. Thus, companies with PRP seemed to be making changes to their bargaining arrangements but not necessarily attempting to rid themselves of unions altogether. Although it would seem that they were attempting to monitor who union members were.
PRP establishments were also less likely to have a committee whose primary concern was for consultation. Where they did have committees, they were less likely to discuss production type issues. However, they were more likely to have meetings for teams or groups over quality circles and so forth. In fact, they were more likely to have regular meetings once a month, but on the other hand, they also made systematic use of the 'management chain'. They were also more likely to give out information to staff about company issues but less likely to give them information about financial issues.

In the event of a failure to agree at the establishment, those with PRP were more likely to refer to an outside body in terms of pay issues but less likely to do so over discipline and dismissal issues. PRP establishments were also more likely to have experienced individual grievances, especially over pay, and indicated that they thought their procedures were ineffective in dealing with appraisals and relations between employees. At the same time, however, they were more likely to have applied disciplinary sanctions. Thus suggesting conflict over the framework of controls (Baldamus 1961)

There was a distinction between the administration systems of those with PRP and those with NPRP. As expected, with larger organisations, PRP establishment tended to have more management layers. They were less likely to have regular contact with an industrial relations specialist higher in the organisation but they were more likely to have obtained advice from outside the organisation, possibly from consultants. Rather, they were more likely to make industrial relations decisions at the level of the establishment but less likely to make financial decisions without consulting higher levels in the organisation. Thus, this suggests that financial or 'paper profits' were more important to the central organisation (Smith 1991) than industrial relations decisions.

PRP establishments were also more likely to think that management relations with employees were poor. Thus, this suggests the need for change.
Technology was utilised more in PRP establishments as was the use of computer facilities, indicating the possibility of more sophisticated systems. PRP establishments were also more likely to monitor staff over a range of issues and it may be the case that computer technology was used for this purpose. In terms of the actual performance of the establishments, those with PRP were much more likely to think that their productivity was higher but that their financial performance is poorer.

The above gives a picture of organisations which are faced with highly competitive markets and are making sweeping changes to their administration processes, seeking to give autonomy to establishments within tight financial constraints. Within the multitude of change strategies, these organisations seem to be attempting to individualise the relationship between reward and effort yet are not attempting to rid themselves of unions per se. Obviously, the above cannot say anything about the direction of causation but does give an interesting starting point from which to progress with the examination of the organisation and effect of PRP.

4.3.2 The case study schemes

At first sight, there would seem to be three types of schemes. First, there are those which resemble more the traditional types of payment-by-result schemes such as Electric Co. and Service Co. Second, there were those PRP schemes based on behaviours such as Engineering Co. and Insurance Co. Third, there were those companies which utilised objectives, targets and performance contracts such as Retail Co and Bank Co. When examined in detail, however, each scheme is almost as different in many respects as it is similar so that, in effect, schemes were scattered over a broad spectrum. This is because organisations have histories. They do not operate within a vacuum and cannot ignore their socio-political and economic situation.

Despite the fact that over half of the organisations used consultants with their latest schemes, they realised the importance of their own organisational
contexts. Further, despite this, there was very little involvement of their own managers and even less of employees in the design of the schemes. In addition of 13 organisations, where unions represented employees, only five had involved the unions at any stage in the design of the scheme and this was usually towards the end of the process.

It was highlighted that there was a diversity of performance criteria utilised with conflicting results. Objectives seemed to be conflicting over qualitative and quantitative components while the relatively new concept of competences was less about learning and performance and more about measurement and accreditation. There was also a diversity of means of linking performance with pay. Further, some of the issues surrounding appraisal in terms of it being identified as a mode of control and the various ways that it can be used as such given the contested terrain of the employment relationship were set out.

The scene is now set in terms of looking at the organisation of PRP. Thus, the reasons why companies indicated that they introduced the schemes and the initial effects of these will now be examined.
CHAPTER FIVE

THE INTRODUCTION AND MANAGEMENT OF CHANGE

5.0 Introduction

In this chapter, the intention is to examine the reasons why PRP was introduced into organisations and its perceived effects from the point of view of senior managers within the companies. Their views were gathered by means of a semi-structured questionnaires. The survey was structured in such a way that it served two key purposes. First, it allowed a comparison of some of the main issues involved by providing managers with a selection of multi-choice options. Second, it allowed the researcher to probe deeper into the context and nature of the replies which were specific to the managers and the companies which they worked. From this analysis, a preliminary view was gained of what some of the effects of PRP may be. They, in turn, provide benchmarks for the detailed case studies.

Where possible an examination of PRP was made using similar sections to those identified in Chapter Two so that a comparison can be made between my research and the findings of other research. The main difference between this and previous work on PRP relates to the fact that this research has the benefit of probing more deeply into the organisational factors.

5.1 The objectives of PRP

5.1.1 Why is PRP introduced.

To confirm some of the reasons why PRP was introduced, a series of questions were asked during the interviews to tease the various factors out. First, the companies were asked: 'why did you introduce PRP'? In public sector companies, the initial reply was 'because the Government told us to'. This reply was usually qualified by the fact that these departments now had a choice in
deciding their own particular pay schemes and had chosen to continue with PRP. The reasons for this usually mentioned simplifying grading structures, having a single scheme for all staff and linking pay more closely to organisational objectives. The overall emphasis fell on three main factors, however. First, the need to change the organisation's culture was mentioned. Second, the need to address the role of line management and give them more autonomy and responsibility to address the third and final area which was the assertion that pay should reflect performance and effort put into the job rather than skills and experience or seniority.

Private sector companies also mentioned most of the factors above but they also emphasised the point of trying to move away from a subjective system to one that might be more objective. This may reflect that these were usually the schemes that were more mature. On this point, though, it must be noted that there was a detectable sense that because of problems over what issues can actually be precisely measured in objective terms, companies were now trying to reincorporate some behavioural factors into the appraisals often under the guise of competences.

An additional factor mentioned by those private sector companies that included blue-collar workers in their schemes was that where they had included an element of multi-skilling in their working practices, combined with changes such as teamwork, the distinction between supervisory staff and the blue-collar workers was less pronounced in terms of job content. This overlap meant that the manual and managerial pay schemes needed to be very similar in order to allow a relatively easy passage from one to the other.

After being asked open-ended questions, managers were given a further check list of factors which related to some of the issues identified in Chapter Two. They were asked: 'were the schemes introduced to aid any of the following'? Table 5.1 illustrates that most of the companies tended to choose those factors which could be called 'soft' options with a very similar emphasis to that identified
by Kessler and Purcell (1995), such as aiding motivation, retention of staff, the link between pay and performance and bringing about a change in organisational culture. The 'hard' options which may involve control elements (i.e., job flexibility, control of labour costs and changing the role of line management), were mentioned less often. Culture may be included in the control elements as well, but at this stage.

Table 5.1

<table>
<thead>
<tr>
<th>Option</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>60%</td>
</tr>
<tr>
<td>Decentralise bargaining</td>
<td>7%</td>
</tr>
<tr>
<td>Individualise contracts/restructure employ. relationship</td>
<td>13%</td>
</tr>
<tr>
<td>Job flexibility</td>
<td>47%</td>
</tr>
<tr>
<td>Control of labour costs</td>
<td>47%</td>
</tr>
<tr>
<td>Marginalise trade unions</td>
<td>0%</td>
</tr>
<tr>
<td>Aid the role of line management</td>
<td>33%</td>
</tr>
<tr>
<td>Motivation</td>
<td>73%</td>
</tr>
<tr>
<td>Tighten the link between pay/performance</td>
<td>100%</td>
</tr>
<tr>
<td>Recruitment</td>
<td>33%</td>
</tr>
<tr>
<td>Retention</td>
<td>60%</td>
</tr>
</tbody>
</table>

in the questionnaire, the emphasis was on the softer side of cultural change as might be expected with concepts such as HRM. This reinforced the finding that at this stage there was not a sharp break from the findings of Kessler and Purcell (1995).

5.1.2 Recruitment and retention

Almost two-thirds of establishments said that they used PRP for retaining staff while only a third commented that they used it for recruitment. Recruitment was only an issue for certain types of jobs, as within most companies, the general trend had been one of downsizing. The emphasis with recruitment lay in being able to show potential ‘high flying’ employees that they would be able to earn salaries in relation to the amount of effort they applied. However, on further
investigation, senior management’s main rationale for this was that they did not want to, or were not able to offer more money in terms of base salary to those jobs in demand, without upsetting existing grading structures. The same kind of rationale was present for retaining what companies saw as their high performers. However, as can be seen from the figures, retaining high performers was much more important than recruiting them. Even so, a fundamental question was left unanswered concerning whether the schemes were addressing performance or labour market factors.

5.1.3 Motivation

Surprisingly, although like other research (Thompson 1993; Marsden and Richardson, 1994; Cannell and Long, 1991), motivation was said to be a prime reason for the introduction of PRP, none of the companies said that it had helped to bring about more motivation. Although the majority of companies had mentioned motivation in their choice of factors and had mentioned motivation in nearly all other words throughout the interviews, all were completely sceptical about the role of PRP in aiding motivation in the first instance.

<table>
<thead>
<tr>
<th>Positive</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>influence</td>
<td>manipulate</td>
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<tr>
<td>educate</td>
<td>override</td>
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<tr>
<td>impress</td>
<td>push</td>
</tr>
<tr>
<td>attract</td>
<td>impel</td>
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<tr>
<td>invigorate</td>
<td>force</td>
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<tr>
<td>encourage</td>
<td>compel</td>
</tr>
<tr>
<td>inspire</td>
<td>bias</td>
</tr>
<tr>
<td></td>
<td>mislead</td>
</tr>
<tr>
<td></td>
<td>induce</td>
</tr>
<tr>
<td></td>
<td>convert</td>
</tr>
<tr>
<td></td>
<td>bribe</td>
</tr>
</tbody>
</table>

Motivation, as discussed in Chapter Two, is by far too complex a concept to be addressed by a pay system alone. It would also seem that motivation can mean two separate things. It either denotes something positive or it can be of a negative nature. A positive nature is usually associated with PRP, when in fact, its negative elements are at play. This may be illustrated by looking at the above words from a thesaurus dictionary listed under the word 'motivation'. It would seem that while managers preferred to emphasise the positive or ‘soft’ side of motivation, what the schemes were really addressing was the negative or ‘hard’ side of motivation. This had a great bearing on the conclusions that were likely to be drawn, for if researchers ask questions about the positive aspects of motivation whilst the negative ones are prominent, outcomes may differ significantly.

5.1.4 The pay performance link

It is difficult to say much about fairness at this stage of the research without first gaining a rounder picture from all employees. However, in terms of the design of the schemes perceptions of fairness were certainly based on the principle of equity rather than equality. Most of the public sector companies mentioned that they were experiencing particular problems with staff because their previous notion of fairness based on equality and seniority were ingrained into their cultures. This was particularly the case with public sector organisations. Indeed, even the senior managers themselves admitted that they and others they knew worked within the public sector because of the civil service culture. It was this culture which had been the main motivator rather than money per se. Obviously the source of their motivation was now being removed.

What ever the way in which motivation was used, in the absence of any motivational factors, there still needs to be some way to measure whether the schemes are achieving their purported primary objective (i.e. improve performance). Companies were asked whether they had attempted to objectively measure the effects of PRP on productivity. Three-quarters of the companies had not made any attempt to measure the effects on productivity. Some said that they would not know where to start. One company said that it was in the process of
attempting to work out how to do it because it was something which it would like
to do. However, the nature of this company meant that it would be difficult to in
practice. The remaining three companies who said they measured the effects of
PRP on productivity were those which had a direct link with sales or output within
their schemes. Their measure was simply whether sales or output had improved
since the introduction of PRP. This still actually makes it difficult to separate out
the effects of the schemes from other activities that management were
undertaking. Indeed, one of the car companies had actually, for the first time in its
history, introduced a flat rate salary for all of its staff in one of its garages and was
reported to have higher productivity than the garages which paid PRP.

Three-quarters of the companies said that they monitored the schemes in
other ways but their means of doing so were somehow never quite convincing in
terms of what they were trying to find out. Their means of monitoring ranged
from employing MORI to do a poll of employees to relying on feedback from
managers after the appraisal period. Whichever means they utilised, the choices
seemed subjective and ‘loaded’ in terms of skewing questions to gain certain
replies.

All companies also said that they measured the overall costs of their
schemes in terms of labour costs. All thought that the schemes were much less
expensive in terms of total paybill. However, only two said that they measured
their indirect costs such as appraisal time, training and administration. As these
processes are typically very time-consuming, one would have thought that an
overall costing would be seen as essential for estimating the net effect to the
company. It is difficult from the above results to see how management and
consultants can make such wide sweeping statements about the positive effects of
their schemes in terms of employees or performance. Also if pay were truly
linked to performance one would expect that as well as being rewarded for good
performance staff could be reprimanded for poor performance. Yet only two
companies said that in theory a reduction in pay was possible. This was only with
the senior management section of their scheme and no one could actually remember a case where it had been put into practice.

5.1.5 Objectives for change?

Similar to the argument of Kessler and Purcell (1992), it was also found here that only 13% of companies felt that PRP was introduced to individualise contracts or change the nature of employment contracts. Only one company commented that their schemes were introduced to decentralise collective bargaining and none of the companies said that they had introduced schemes to marginalise the role of the trade unions although several mentioned that they had had this effect, irrespective of their intentions. What this might actually mean is that companies showed, in contrast to Kessler and Purcell’s (1992) findings, that they still valued the role that trade unions play in some areas as long as they were not encroaching on management’s right to manage. As mentioned above trade unions were sometimes included in the negotiations of the schemes but only on management’s terms. It would seem, however, that trade union acceptance is sometimes needed in order to give the schemes credibility. It becomes clear below that these schemes are about more than just performance (Rubery 1997). Employers may value trade union involvement in maintaining consistent grading structures but at the same time they do not value trade union interference.

It was mentioned above that, when given a list of factors and asked the question of why PRP was introduced, employers preferred to highlight ‘soft’ factors. Yet, as the research probed further into the nature of the schemes, the ‘harder’ side began to emerge as the prime motivator for companies. When asked why they chose the particular scheme that they had at the moment, four factors came through more strongly than others. These were: organisational culture, flexibility and the role of management, controlling costs and pay for performance. Second, when asked what the main aims and objectives of their performance related pay schemes are, again, four themes commonly occurred: culture, control of costs, pay for performance and the role of line management. Third, companies were asked how schemes fitted with other organisational goals and objectives. All
companies said that the decision to have a PRP scheme had come from 'the top' and that they had been part of the organisation’s objectives. Again, very similar factors were mentioned: a move towards a performance culture, making management more responsible and a more flexible system.

All of the managers mentioned a more competitive environment in which people needed to be highly geared to their organisation’s objectives and the needs of the customers. Performance culture often meant a move away from systems based on seniority, experience and skill towards systems based purely on individual performance. It also meant a move away from the paternalistic or traditionally heavily unionised culture to one where management prerogative was paramount. This was not, however, management prerogative per se because the problem that many companies faced was the fact that management was very often considered to be inadequately equipped to carry out the task. Many of the changes were, therefore, aimed not only at the role of general employees but also at the role of management. Lastly, the companies were asked: ‘what role did the organisational context play in the choice of their PRP schemes’? Again, most of the companies’ managers mentioned that it was very important that these schemes actually fitted with their particular organisational structures, occupational structures and their market structure (i.e. the type of product/s they were concerned with). Companies also mentioned that the schemes had been strongly shaped by past and present systems and cultures despite the fact that most companies were attempting to completely change their cultures. This had major implications, especially for those companies that took the business re-engineering approach of a short, sharp complete change to all of their systems in the hope that this would bring about the changes which they required. Indeed, these companies may experience more difficulties in the future as their employees try to re-establish some pattern of work and conditions with which they feel comfortable.

Senior managers were able to discuss the ‘soft’ or the ‘hard’ side of their intentions, depending on the way in which the question was posed. It was, therefore, useful to examine which areas of PRP proved successful in their
opinion. Thus, the research went on to ask the companies whether they thought the schemes had been a success in those areas that they mentioned in Table 5.1. Again, by categorising the replies into those areas that were most frequently mentioned the same sorts of groups began to re-emerge. They commented that PRP had been successful in helping to shape a new culture, to change the role of management, control costs and link pay more closely to performance. Below is a medley of quotations which helps to summarise the overall response:

It's been a success at getting performance management in...That's good for making the business plan work, so that's effective...It controls the cost of labour and we now have control of the value every year....It's working on culture, labour costs and people are beginning to realise that there is a link between pay and performance...It keeps an absolutely tight link for us on pay and performance...and its moved culture away from that paternalistic type of thing, but other than that it is an act of faith....It's a thing of the 1990s, isn't it, how to get more out of people.

One cannot fail to note that, in all of this, which reflects a fair representation of comments from all of the companies, there is no mention of the 'soft' developmental benefits to the organisation or its employees.

5.2 The management of objectives

5.2.1 Problem areas

Companies were clearly experiencing far more problems with the use and introduction of PRP than just the de-motivation of employees. Only one company said that there were no constraints on the effectiveness of its PRP scheme. Not surprisingly, this was the company that did not wish to have anyone else interviewed on this matter. Further, although the respondent for this company said 'no' to this question directly he later went on at some length to explain major constraints that had operated on the scheme in the preceding year which had forced major alterations to it in order to stop employees from attempting some constructive choices on the types of work they wanted to carry out. They had been concentrating on those jobs which would bring them most reward.
The constraint mentioned by nearly all companies was that there was always insufficient funds to ‘drive a lot of performance forwards’ (Bank Co.). Another factor mentioned mainly by the public sector companies concerned the role of managers themselves. ‘It is the ability of managers to manage from what was a prescribed system to one that is discretionary’ (TV Co.). What this meant was that managers were now expected to manage performance and not to apply the rules or administrate. Third, companies actually mentioned that the setting of objectives was in itself a constraint. In one company, its business cycle was changing so rapidly that it had to change its objectives and hence management’s performance contracts three times in one year alone. Another company mentioned that it didn’t think the organisation was ‘as sharp as it could be in setting targets or objectives’. Finally, although there were numerous other constraints, they fell into the category of causing some kind of inconsistency. This was either to do with distribution, the scheme being too flexible or that it did not seem fair to employees. The biggest inconsistency with one company was that no one wanted it other than the managing director.

Combined with the constraint and the problems over objective setting, only two companies commented that they did not experience, or did not know of, any problems with staff concentrating on their objectives or targets to the detriment of other aspects of their jobs (Manf. Co, Insurance Co). The remaining two had the opposite problem in that employees did not concentrate on objectives until appraisal time.

It is clear that the companies did not think that the schemes were an astounding success and recognised that there was a wide variety of problems with these schemes. Nonetheless, something drives them to continue utilising the schemes even if it meant dusting down the working parties or calling out consultants again. Many of the companies interviewed had changed or are changing their schemes since interviews began. Some have opted for minor changes whilst others have gone for a completely new scheme. Yet none of the
companies have actually given up on the idea of PRP altogether though the supposed effects of these schemes on performance are far from clear (i.e. increased productivity does not necessarily mean or translate into increased efficiency). Clearly, without a measure of the effects of these schemes, their validity has to be in question.

5.2.2 Pay strategy

If these schemes are part of a total company strategy or plan it might mean that they are successful in other ways? Only half of the companies, however, said that they had a plan, strategy or philosophy concerning pay. Even with these companies, the picture was not as straightforward as it might sound. Many were unclear, mentioning factors like ‘we aim to be in the top quartile for the industry’ or that it was only ‘between senior managers who knew quite well what it was’. None of the companies could or would provide anything in writing and most clearly had a lot of trouble explaining what it might be.

What did seem to be important with these various structures of pay, and surprisingly this was never mentioned explicitly in any of the replies to the questions about what the PRP schemes were doing, was that there seemed to be a particularly unhealthy preoccupation with the distribution of pay. This is despite the fact that these schemes are supposed to be based on individual performance.

All of the companies except two said that they controlled the distribution of pay thus going some way to confirming the findings of Kessler and Purcell (1992) that companies are more concerned with relativities and consistency of pay schemes. This is also a very important finding, pointing to the fact that performance only plays a small role in the actual determination of pay. It assumes that there is a normal distribution; therefore, only a certain percentage of employees are to receive particular awards or ratings or some combination of both. Sometimes, this took the form of directly placing certain people in certain ratings. On other occasions, the process was carried out on a more informal basis with managers being strongly advised about how the distribution should fall. Of the
two companies that said that they did not control the distribution of pay, one commented that 'grade drift' was becoming a particularly serious problem and that it was planning to respond to it by moving towards a controlled distribution. The remaining company, although saying no, advised business units to give extra awards only to the top 20% of performers. The company also had strict limitations on the maximum range of each grade so that once the maximum had been reached, no further performance awards could be earned (only the occasional one-off bonus payments were possible).

This preoccupation was confirmed by all 15 companies saying that external factors were a big influence on the amount they paid. Two-thirds said that internal pay was a big factor, as was profits. Only half of the companies, however, said that business unit strategy was a major influence.

Thus, consistency and relativities may be a major preoccupation for these organisations while the performance element is making employees focus on what is important to the company and intensifying effort. Certainly the 'harder' elements seemed to be at the fore of these schemes rather than the 'soft' developmental issues mentioned by Kessler and Purcell (1995).

5.2.3 Management's Role

Management's role is clearly very important for these schemes. Before we look at the perceived effects of PRP on management, it is worth examining what management is before looking at what it does.

What is management?

In the prescriptive literature, in a search for a definition of what management is, it concentrates on attempting to list standard roles of what a manager does. All in all, management is portrayed as homogeneous, with little being said about how its role may conflict with that of the employer. Similarly, an early labour process definition would be that management is synonymous with an employer in that its job is to control labour (Braverman 1974). As Thompson and
McHugh (1995) argue, however, the problem with the early labour process literature was that it assumed a high level of rationality: It assumed that management always knows what Capital’s interest is and that it is possible to draw a neat line between workers and managers.

In reality management’s role has become differentiated and may take place at many different levels - ownership, administrative, innovation and production. Two major consequences of this new division of labour are as follows. First, although the power of administrative machinery may have increased, the power of individual managers has tended to diminish due to the rationalisation and routinisation of their duties (Smith 1991). With the development of more complex managerial structures, new techniques have been introduced to integrate, monitor and control lower and middle-level managers. Second, the growth of structural conflicts and imbalances between the different levels and functions means that each level of management tends to follow a ‘rational’ logic of its own.

While some may talk about the proletarianisation of middle management (Braverman 1974) others (Armstrong 1989) prefer to discuss struggles for control within capital reflecting the tensions and contradictions in the agency relationship. In other words, employers and senior managers are inescapably dependant on other agencies to secure corporate goals and policies. A focus on competing agencies and professions also emphasises the specific historical bases and differences in the development of management theories and practices (Thompson and McHugh 1995).

As Smith (1991) notes, there is a clear link between restructuring of the organisation to regain competitive advantage and a critique of management. There is a lack of systematic evidence about this relationship, however, in the US the limited available evidence based on the ‘decline perspective’ argues that the new competitive environment forces organisational leaders to scale down operations. This creates dysfunctional dynamics that top-level leaders must manage. There are problems with this literature, however, in that it is too rational.
in its dynamics. Smith noted that since the mid-1960s, US companies' response to increasing competition had been to create the illusion of prosperity in the form of profit gains on paper. Cash management was emphasised over commitment to production. This was also the case in the UK in the 1980s and was exaggerated further by the peculiar role that the City plays in forcing companies down this route. Many organisations were seen as easy pickings for take-overs if their books were not looking healthy. As such from this time management, for the first time, were not immune from the displacement process affecting workers. The competitive process led to radical alterations to organisational structure and employment conditions. This, in turn, led to aggressive attacks on staff and organisational management in effort to reduce overheads, including the paring down of corporate size and greater centralisation. The reductions in layers allowed management to regain and maximise control over the production process while reorganisation, merger and acquisition had the same effect of putting many managers out of work.

Many industrial relations specialists now argue that companies can no longer afford to pay for bureaucratic or individual models of control over employees. Companies have been unravelling the stable employment relationship framework that has been in place for many decades. At the same time they have tried to maintain continuity and gain employee consent to restructuring but this presents significant organisational and personnel challenges to the running of organisations. Smith (1991) argues that top management have positioned middle management as the agents of restructuring. The idea of 'entrepreneurialism' is designed to undermine an implicit contract that middle management have with large corporations through its use as a justification of deep rooted structural change. It is used to provide justification for an attack on the past poor management of enterprises and the philosophical underpinning and organisational means by which management can attack their own past styles.

We can now move on to examine the effects of PRP on management in the companies to see if any of the above can be identified or clarified.
How did PRP affect management?

It is difficult to make generalisations at this stage about how all of this will affect employees in general; this will follow from the next stage of the research. However, it is possible to make some points about the effects that it will have on management. The debate about the effects of centralisation or devolution of control began to emerge at this point. These are clearly outlined in the debates over the M form of organisation (Williamson 1975). It is argued that companies find it more cost effective to control divisions/subsidiaries via financial controls. It has already been mentioned above that the HRM literature tends to assume that these schemes have the effect of giving management more autonomy over their work areas. Against this, there are suggestions that autonomy occurs within tight constraints (Edwards 1987). This was something in this research which seemed to have grown in intensity with all the senior managers noting the presence of financial and rule making control. In the following section, the extent to which this is the case will be examined.

The importance of budgetary control on management in large MNCs and subsequently on industrial relations issues is now well established in sources such as the second Company Level Industrial Relations Survey - CLIRS2 (Marginson et al, 1993). It was, therefore, thought beneficial to utilise some sections of the questionnaire to look at budgetary pressures and their relationship with the management of PRP, especially the use of budgetary targets as performance targets. Therefore, many of the tables in this chapter derive from those parts of the questionnaire which were customised questions from CLIRS2.

First of all, the survey asked about the senior managers that were interviewed and how senior they were? Attempts to talk to the most senior person dealing with pay in the companies was achieved with only four of the most senior managers that I interviewed commenting that they had to report to someone else more senior in a similar job function. Most qualified this by saying that this person was not directly involved in a similar job function, but rather, he/she was
usually in a co-ordinating role between the person responsible for remuneration and another person responsible for appraisal, for example.

Managers were then asked a series of questions to ascertain whether they were responsible for deciding some of the details of the schemes. For instance, it was asked: 'which roles are played by you in the design of bonus, indicators of performance and the proportion of PRP'? Over two-thirds said that their job function determined the details of designing the bonus scheme. A further 13% said that it was their responsibility along with other function/s. The fact that 20% said that they had no role may mean that, in some companies, the bonus system may be imposed from very senior management levels. This is something which needs further investigation, in light of the trend in some companies towards unconsolidated PRP bonuses. Eighty per cent said that they had a role in designing the indicators of performance. The remaining managers were in companies where there were separate functions for determining pay matters and the details of the appraisal system. In these cases I interviewed managers from more than one functions. The only senior manager who said that his particular job function did not have a role to play in deciding the proportion of PRP was located at Tyre Co. Even here, this person seemed to have the ultimate say in how much the proportion would be because he was in ultimate control of the budgets and the HR team had to report to him. It seemed as though it was someone else's job to propose the amount of increase in pay rates while the nature of the scheme itself determined how much would go into PRP.

When asked whether the role of their job function in the determination of pay and salaries had increased, decreased or remained the same 58%, said that it had increased, with the remainder saying that it had remained the same. Thus, it would seem that the role of the centre, over pay, had increased rather than devolving autonomy out to local management. This was confirmed by asking managers how much discretion they now exercised over certain issues since the introduction or most recent changes to their PRP scheme in the following areas: the way pay is distributed to subordinates, control over financial matters, setting
of targets and objectives for themselves, setting of targets and objectives for others and pursuit of policies which in their opinion may be more efficient.

In the first three areas, all said that the amount of discretion that they now had had increased. With the setting of targets for others, the majority said that this was now supposed to be an agreed process although there did not seem to be much room for manoeuvring with some of the schemes in terms as far as employees are concerned. In fact in the case of those companies that had introduced performance contracts as part of their schemes, those jobs that were considered to be lower down the occupational ladders where the majority of employees might be, have standardised performance contracts, while it was mainly management who have the individualised performance contracts. The companies often mentioned that it would just be too difficult to give each employee an individualised performance contract. Finally, most managers also said that the majority of policies would have to come from the centre anyway.

Most of the companies mentioned that the competitive environment throughout the 1980s and 1990s had been very intense for them. Many of them had gone through more than one bout of serious restructuring. They were asked whether any of the factors in Table 5.2 had occurred over the last five years as a proxy for the amount of restructuring experienced:

Table 5.2 tends to confirm a great amount of change in most companies. Along with this all of the respondents said that the pressures on business unit managers had increased considerably over the past five years alone. This was emphasised when they were asked what would happen to the business unit, the manager and the workforce if a business unit was under performing.
Only one company said that they were fairly 'soft' on these types of issues and that they certainly didn't like to dismiss people. They commented that they would put plans into place and that they would review individuals targets and objectives. This was surprising as the company was very unitarist in its approach to HR and the amount of turnover of staff moving through its HR department itself was quite high. There had been two completely different management teams in HR in the year that I was in contact with them alone (i.e. they were now employing their third management team). The rest of the companies emphasised the enormous pressure on management to hit targets and objectives. If the business unit was under-performing it would mainly be seen as a management problem, with three-quarters of the companies saying that if there was a serious problem management would be dismissed! There was a tendency for the public sector companies to emphasise that the management role was crucial and that this was reflected all the way up or down the management hierarchy. The private sector companies also emphasised that the unit would be sold or closed down. The fact that the management role was seen as more crucial within the public sector companies could relate to the way that they perceived their future direction (i.e. trying to emulate the private sector), or it may also be due to the fact that they do not usually have the option of closing down although they had exercised the option to merge offices in a lot of cases. Another factor was that some of their less financially viable operations might be outsourced or put out to tender. This

Table 5.2

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Closure</td>
<td>71%</td>
</tr>
<tr>
<td>Setting up of long term contracts</td>
<td>77%</td>
</tr>
<tr>
<td>Divestment</td>
<td>73%</td>
</tr>
<tr>
<td>Expansion</td>
<td>67%</td>
</tr>
<tr>
<td>Formation of joint ventures</td>
<td>50%</td>
</tr>
<tr>
<td>Investment in new locations</td>
<td>60%</td>
</tr>
<tr>
<td>Merger and acquisition</td>
<td>71%</td>
</tr>
<tr>
<td>Rundown of existing sites</td>
<td>54%</td>
</tr>
<tr>
<td>None</td>
<td>0%</td>
</tr>
</tbody>
</table>
was particularly the case in TV Co. and Health Co. Manufacturing Co. said that it would not be allowed to happen in the first place. They were very much reliant on contract work which meant that if overall targets were not met, then they would start to incur quite heavy financial penalties.

Managers were now also more likely to have indicators of business unit performance as specific targets now. Table 5.3 shows that most of them seem to relate to the costs of production and labour. Most companies also said that there had been changes to the financial indicators now required from business units.

**Table 5.3**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration to sales ratio</td>
<td>66%</td>
</tr>
<tr>
<td>Production costs to sales ratio</td>
<td>75%</td>
</tr>
<tr>
<td>Direct labour costs to sales ratio</td>
<td>70%</td>
</tr>
<tr>
<td>Market and distribution expenses to sales ratio</td>
<td>70%</td>
</tr>
<tr>
<td>Operating profit to sales ratio</td>
<td>46%</td>
</tr>
<tr>
<td>Return on investment</td>
<td>30%</td>
</tr>
<tr>
<td>Sales to capital invested ratio</td>
<td>20%</td>
</tr>
<tr>
<td>Sales</td>
<td>54%</td>
</tr>
<tr>
<td>Unit labour costs</td>
<td>54%</td>
</tr>
<tr>
<td>Other measures</td>
<td>70%</td>
</tr>
</tbody>
</table>

For most, this meant more indicators but for some (especially those in the public sector) it also meant performance indicators for the first time.

Companies also seemed to be collecting more information about the performance of the individual business units. As can be seen from Table 5.4, however, surprisingly, only a third actually collected figures on labour productivity. So if pay is largely centralised other than the setting of objectives and targets, have managers and especially business unit managers got more of a role to play in actually deciding business unit strategy? The data suggests not.
Table 5.4

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absenteeism</td>
<td>57%</td>
</tr>
<tr>
<td>Accidents and injuries</td>
<td>50%</td>
</tr>
<tr>
<td>Dismissals/discipline</td>
<td>57%</td>
</tr>
<tr>
<td>Numbers employed</td>
<td>93%</td>
</tr>
<tr>
<td>Overall labour costs</td>
<td>79%</td>
</tr>
<tr>
<td>Labour productivity</td>
<td>36%</td>
</tr>
<tr>
<td>Overtime working</td>
<td>64%</td>
</tr>
<tr>
<td>Movements in rates of pay</td>
<td>93%</td>
</tr>
<tr>
<td>Resignation/recruitment's</td>
<td>93%</td>
</tr>
<tr>
<td>Strike/industrial action</td>
<td>36%</td>
</tr>
<tr>
<td>None</td>
<td>0%</td>
</tr>
</tbody>
</table>

5.2.4 Business unit strategy

 Debates over management autonomy are not confined to pay issues but have involved decisions in the whole of a business unit and its strategy. This clearly applies in reverse order, with pay being equally affected by business unit strategy. Thus, if pay is highly centralised, there may be room for management autonomy in business unit strategy over other factors that influence pay. It is, therefore, important to investigate these broader influences to see how management are affected in these areas.

In terms of the process of deciding business unit strategy the majority of managers (60%) said that business unit strategy must fit into an overall strategy which is decided at company head office. This is what is called a ‘centralised structure’ here. Twenty percent said that, as long as business strategies fitted into an overall head office structure, they could negotiate around that and this has been termed ‘centralised negotiation’ in this study. The remaining 20% said that business unit strategies emerged from a review process which involved individual managers and company head office. This is termed ‘negotiated’. Although one may say that there is not much difference between this and the centralised negotiations, there is, nevertheless, an important shift in emphasis between the
two, with top management having more control over the latter. Only one company said that the financial element alone was starting to become more important as a means of control (i.e. business unit strategies must fit an overall strategy decided at head office), but more and more there was some flexibility in how to apply that strategy as long as the units achieved their financial targets. Even those business units with their own budgets were still tightly controlled by head office or division.

Sixty percent of the senior managers said that the influence of their job function in the determination of strategy at business unit level had actually increased over the past 5 years. Only 20% said that it had decreased and the remainder said that it had remained the same. Again, this points to the lack of real autonomy for business unit managers.

At the same time, however, as the strategy/pay policies were placed firmly in central control, budgets in terms of pay were being applied downwards to business unit level. This increased the pressure on management to perform yet, at the same time, give them some room to negotiate over budgets. This is confirmed by the finding that in terms of the part played by 'staff cost' budget holders in determining their budget, only 21% said that budget holders had no say in determining the budget. Seventy-five per cent said that budget holders proposed budgets which were then negotiated with head office. The remaining company said that senior management proposed a budget which is then negotiated with the budget holder. Only one company, however, said that their budgets are allowed to vary with activity levels without authorisation from head office. Fifty-seven per cent said that they were not allowed to vary at all and 35% said that it would depend on the circumstances but would still have to be negotiated with head office.

Respondents were then asked what would happen if management of a business unit felt it necessary to authorise a pay award which would result in the staff cost budget being exceeded. Half said that it would not be possible for this to
happen. Twenty-three per cent said that the authority of higher level accounting or finance management would be needed and a further 15% said that the authority of both higher level HRM/Finance would be needed. Even here, it was emphasised that increases would often have to be found by the units through 'efficiency' savings. This means that overall budgets for staff costs were highly centralised. None of the companies said that business unit managers would be free to implement their own awards, even if the overall budget was tied to their performance targets.

5.3 Summary and Conclusions

Despite the fact that PRP is promoted as a kind of neutral pay system which can be easily applied to all occupations and industries, most of these schemes were heavily shaped by the individual organisational contexts, both in terms of past and present structures and cultures. Hence despite the uniformity implied by concepts like performance management and reward management, schemes were by and large very different. The one aspect that they all shared was a preoccupation with controlling the distribution of pay, increasing performance and controlling costs.

Kessler and Purcell (1992) have probably done most to further the understanding of the nature of PRP in Britain. In a more recent work (Kessler and Purcell 1995), they attempt to put PRP into the context of its 'softer' and 'harder' uses. This is very similar to that which has been attempted within HRM (Storey 1992). While not disagreeing with the content of their argument, it is felt here that their attempt to put it into the context of 'individualism' and 'collectivism' and their model of management styles may have led them to misunderstand what PRP is used for. Hence, in concentrating too much on attempting to base PRP within these realms, and by judging trade union exclusion or inclusion in terms of 'soft' or 'hard' goals, they are forced down the path of viewing PRP in the 'soft' developmental light. While the results of this research are, in some senses, similar to theirs, the interpretation of these results was somewhat different. It may well be
useful to look for a different dichotomy to the now traditional ‘hard’/’soft’ one as this tends to force one down particular paths.

The schemes studied here were not being used in any serious way to address those areas associated with their traditional uses. If they were, this occurred only in a marginal sense. The main areas which were mentioned were to do with the following four main factors:

- Organisation culture
- Role of management
- Performance
- Costs

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<td>Effort Bargain</td>
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It seems that the first two have a lot in common, relating to addressing the processes and structures of bargaining and fit with changes to the administration process (Baldamus, 1951) while the latter two combine to address the effort bargain. Further, it seems that it is not a case of pay-for-performance, but rather, more performance for the same or less pay. These factors all appear to emphasise the ‘hard’ control side rather than the ‘soft’ developmental side. They also had a definite emphasis on flexibility in all its shapes and forms.

When we look at the role of head office and senior management it would seem that these schemes were highly centralised and senior managers certainly felt that they had much more control of or via these schemes. This was also true of business unit strategy.

Where business unit managers did have some room to manoeuvre, it was in the setting of budgets although, even here, there was not very much scope. At the same time, however, business unit managers were much more closely monitored and measured and indicators of business unit performance were tied in much more closely with their own rewards through the setting of objectives and targets.
There was also a trend within management schemes towards individual performance contracts. This is a very interesting development. Although it needs further investigation, it may shed some light on why companies do not seem to have gone wholeheartedly in the direction of individualised contracts. For instance, it may be easier for some companies to alter the individual performance contract sufficiently without upsetting those areas of the employment contract which companies would prefer to keep consistent on a collective basis. This direction of enquiry was made all the more relevant by the finding that PRP seems to be concentrated in those occupations and industries not directly related to the production process (i.e. those areas of employment where it is particularly difficult to stipulate exactly what the contents of the employment contract are in terms of performance). A performance contract might be seen as a way of addressing this especially when a firm can get the employees to co-operate in putting down in writing what their job is and how they should be doing it. Hence, the setting of targets and objectives was emphasised as an ‘agreed process’.

Some of the attributes present would certainly substantiate the view that management were used as restructuring agents. Having said this companies do not always get what they want and it is clear from the interviews with senior managers that they are quite aware of this in some contexts. Indeed, when asked about the organisational context, many mentioned how the schemes had to fit in with, as well as attempt to change employee attributes. The following four points come to mind when endeavouring to illustrate the kinds of problems which employers face. First, it is not always easy for employers to bring about the changes they want given their existing structures and procedures. Second, the inconsistencies which the schemes produced also produced varying results for other outcomes. Third, the effects will depend on whether management decide to ‘manage up’ or ‘manage out’ to borrow the terminology of Smith (1990). Finally, employees learn very quickly to play the schemes at their own game. For these reasons, what is happening with these schemes is a process of re-negotiation of control and the effort bargain. It is within these areas that the research will
concentrate in the following chapters. This should permit an even closer detailed examination of some of the schemes and their effects on all concerned.

Thus, the key objective of the next four chapters is to look at four of the schemes in detail using ethnographic case studies. The research for the chapters took place between 1994 and 1997 although the main ethnographic elements were undertaken in 1997. This meant that although the study did not set out with a longitudinal perspective, it managed to chart some of the effects of change over the period.

As well as examining the main effects of PRP, the four chapters will specifically highlight the vagueness of the objective-setting machinery in each scheme and the ways in which this was fundamental in making the scheme inadequate in meeting the initial aims of improving performance based on agreements between all parties. Instead, it led to various struggles for control over the work relationship as organisational restructuring and new forms of work and pay organisation changed the shape of past relationships. The struggle for control also highlighted the complexities of the labour process in opposition to more simplistic definitions of such.
CHAPTER SIX

BANK CO.

6.0 Introduction

This chapter examines the organisation and effects of the Management by Contract scheme within Bank Co. in the light of rapid reorganisation of the bank’s own structures over the last decade or so. The chapter will firstly take a brief look at the changes happening within the financial sector, and in particular, the bank itself which are having a tremendous impact on the types of policies pursued. It will then look at the organisation and effect of the PRP scheme, highlighting in particular the vagueness of the scheme’s objective-setting process in relation to the whole job and the other ways in which it has been utilised in a bid to aid the competitive position of the bank.

The research for this chapter took place between 1994 and 1997 and although it did not set out to look at PRP from a longitudinal perspective it did manage to chart some of the effects of change over that period.

The research included three elements:

- An examination of relevant written material on and related to the PRP scheme within the bank. This included booklets explaining the scheme, pay details, contract materials, staff surveys and so on.
- Interviews with senior managers from HR and from within the branch network. This included discussions with HR staff involved in policy and reward at Head office and with HR staff at regional level. Furthermore, some of these people were interviewed on more than one occasion to ascertain the status of the scheme as it progressed.
- Detailed case study work via participant observation in a ‘cluster’ of branches in the East Midlands. As part of this leg of the fieldwork 36 employees from two different sets of staff were formally interviewed using a semi-structured
interview format. The two groups were firstly selected from the appointed staff (22) who represented most of the managers. These staff are presently rewarded via the 'Management by Contract' scheme. Secondly, employees from the unappointed staff (14) who were in the main non-managerial and clerical workers were interviewed. These staff are already on a crude type of PRP scheme but they are due to be introduced to the contract scheme in the near future. Therefore it was essential that their opinions were gained in order to assess how they thought the scheme would affect them and how changes to the management scheme may be affecting the way they were managed. Staff were also spoken with more generally as I observed their daily tasks and routines, I also attended meetings between heads of sections and again was allowed to examine documentation.

6.1 Structural change within banking

Financial service markets, once characterised by great stability and continuity are rapidly changing everywhere, partly as a result of increasing competition and partly the result of the growing use of computerised technology. (Bertrand and Noyelle, 1988, p8)

The above mentioned changes, it is argued, promote a radical shift in the functional emphasis of firms away from 'production' of services (back office functions) towards customer service, sales and production development (front office functions). These trends do not apply just to the UK but affect financial services all over the world. The shift towards these new functions is also leading to a fundamental reorganisation in the division of labour. Bertrand and Noyelle (1988) argue that this is leading to a new emphasis on decentralisation of functions and decision-making responsibilities. They also argue that this means a fundamental shift in the firms' HR, involving upskilling of the entire workforce and emphasis on new skills such as customer service, sales, entrepreneurship and high-level expertise. For them, the only problem is that firms do not seem to have a strong grasp of how to develop the new skills needed for middle-level management. Smith (1990), however, does not see this process in such a positive
light for employees. Rather, management are those used as scapegoats for the productivity problems of the 1980s, in the same way as labour were seen as the problem in the 1960s and 1970s. In the new climate, management are expected to 're-tool their social relations with those that they manage and take on a unique role in pushing through new corporate conditions' (Smith 1990: p11), even if this sometimes means managing themselves out of a job. Managers become both the controllers and the controlled.

One aspect that both authors do have in common is that the outcomes are likely to depend on the approach taken by the company and its management. While Smith emphasises that management can either manage themselves 'up' or 'out', Bertrand and Noyelle argue that reorganisation does not have to mean a total loss of jobs (i.e. there are new financial markets out there which need developing), so it is more the case that there is a mismatch of skills at the moment rather than anything else. It will depend on the policies of each individual bank as to what the outcome will be.

With rapidly changing markets and increasing competition, financial firms have turned to computerised technology in order to reorganise both their production process and new products (see Bertrand and Noyelle, 1988). Financial services were one of the first to use mainframe computers. In the 1950s and 1960s the focus was on the automation of the transaction process. In the late 1970s and 1980s the focus shifted to the automation of management reporting or management information systems (MIS). Furthermore, over this period, the emphasis went on the introduction of process technology in the areas of linking of front office and customers into the back office systems, electronic cash management; and still ongoing is the focus on the introduction of artificial intelligence into areas of lower-level decision making - expert systems.

Developments in technology have gone hand in hand with developments in new products. Indeed, as better process and product technology frees firms from the limitations once imposed by semi-automated or manual systems, more and
more firms have shifted their focus to enhancing old products and introducing new ones. Credit cards, tele-banking and electronic cash management are but a few examples. They have produced a shift from a production- to a market-focus. This can clearly be seen in the efforts by many to reorganise their organisation from a 'product basis to a customer basis'.

Both new technology and products have allowed the banks to introduce a different division of labour, while simultaneously encouraging flexibility in work organisation and roles. Bertrand and Noyelle (1988, p??) argue that the;

revival of competition and the continued introduction of new technologies everywhere are contributing to a major shift in focus away from production towards customer assistance, sales, the transformation of old products and development of new ones.

This was also the case in Bank Co. where these types of changes were leading to a dramatic change in the organisation, its work and the jobs. A new reward system was seen as fundamental in aiding these changes and the problems encountered through them, and is best viewed in this light.

6.2 The organisation of PRP in Bank Co.

6.2.1 Company background

For many years Bank Co. has been recognised as one of the best, if not the best, managed banks in Britain. It has often been hailed for a string of strategic successes over its history within the banking industry. In the 1920s, almost four decades before other major clearing banks began, it became internationally active and, more recently, it has been responsible for pioneering credit cards, cash machines and marketing new bank services. It has been argued, however, that this occurred in an era when it was difficult not to make profits (Gurwin 1982).

Once known for its success over other competitors in terms of decentralised structures, Bank Co. is now in the throes of restructuring which
attempts both to centralise and decentralise. Prior to this, local directors regarded themselves as managers of their own districts and were permitted to manage as they thought best within the framework of head office policy. Decentralisation in the bank goes back to the days of its formation in 1896. It originated from an amalgamation of 20 private banks. Each senior partner became a board member while other partners became directors of their particular regions. In the 1980s, the bank began to pull power back towards the centre, with the challenge being to centralise power to head office and restructure management on a customer basis.

In 1987 there was a major probe internally into the bank’s operations as it became clear that it was losing its number one position to another of the ‘big four’ UK banks. The probe confirmed that the bank was losing market share, that profits were no longer healthy and costs were rising. It also found that the bank’s staff thought that it was bureaucratic; too much central control meant that decisions were being made by people who were not in touch with what was happening locally (Hewitt 1988).

In response, the bank streamlined its management structure and changed the shape of UK banking operations, separating its corporate and retail sectors. At the same time, the bank’s existing structure of local headquarters was closed down and regional offices put in its place. Regional directors replaced the UK board structure and brought with them a culture change from a traditional banking one to a selling, market environment (Gregson, 1987). By 1989, Hewitt (1989) argues that the reorganisation had proved successful - profits were up 42% and the bank’s image had much improved.

The improved performance was attributed to a better production range, more aggressive marketing and more focused management. Specialisation became the name of the game and although the bank initially concentrated on the corporate sector, this focus had to change so that the personal sector did not become the ‘poor relation’. In 1993, the bank appointed only its second ‘non
family' chief executive, unique by his own admission that he had no previous experience of the banking industry.

The challenge ahead was explained by the Director, Group HR:

Banking historically, is steeped in tradition. While this can provide a lot of stability in an organisation, we at Bank Co. are changing significantly, principally driven by the co-ordinated use of information technology, which has enabled us to change the way in which we are structured physically on the ground, and also material changes in the way we handle work.

Thus, historically, in retail banking, branches did everything, with very little central processing and with staff having fairly well-defined jobs. Now, a lot of work and back office processing jobs were stripped out of branches and were carried out centrally. As a result, there was a reduction in the number of people and branches, an increasing number of central units, and a change in work patterns and job contents which meant a split between customer service/selling and processing. It also meant less discretion for each unit in the way they operated as some functions became centralised.

The change in work patterns and contents have led to a reduction in jobs and employees. Now, jobs are broader and, it is argued, give an opportunity for enrichment. The split between functions has also led to an increasing degree of specialisation. In the past banks attempted to deliver a range of products from the branch. Today, there is greater specialisation of outlets in the form of personal and corporate business banking and so forth.

We are also utilising more flexible types of employment. We make more use of temporary labour, and cleaning staff, security, kitchen staff are no longer directly employed by Bank Co.” (Director, group HR).

This directed thought that technological change and innovation are very important pressures. Globalisation of markets is not a big pressure for a lot of the change in banking. It is not just technology and competitive pressures, but also
customer pressures. Change to the business also means that companies have to change the way their HR departments work. In Bank Co., HR no longer says 'this is the best way of doing it' but rather 'have you thought of doing it this way'? The Assistant Group Director of HR explained that the way in which the group is being run now is that the businesses 'go off and do their own thing' and head office departments are small, lean and add value.

In UK banks industrial relations are now handled centrally. The old banking branch network is having to come to grips with a lot of change and is attempting to modernise its personnel policy very rapidly. It has subsidiaries which are more dynamic such as telephone banking, credit card business and inter-mortgage and there is an upward pressure on something which is still viewed as 'a little bit of a dinosaur'.

How do you change something as big as 40,000 people working in a branch network of 2000 branches, its difficult to do.

The new HR had to fit the new strategy. It also evolved, however, from the bank's own history. Thus, it now has a central HR department and all the other businesses have their own HR that fit into the overall structure. The bank is attempting to align HR to the businesses by devolving HR structures throughout the group. The different parts of the business are now being encouraged to see personnel issues as part of their business strategy. For this reason, HR has been divided into two main groups:

- people management; and
- policy (this unit is a first and part of the new structure).

Policy is now focused down much more. It has become concentrated and focused because the bank considered that devolution was new. Issues such as group values and process issues still need to be co-ordinated at the centre.
In the new structure, pay grades have been reduced to six clerical grades, seven management grades, senior executive grades and group senior executives. These and other work changes mean that promotion is less likely and more people will need to gain job satisfaction from their current job. This is why the company is introducing a performance management system with management contracts which are supposed to involve employees agreeing with their boss what is the core content of their job and what is expected of them, rather than something which is ‘visited on them’ from head office. Thus, HR people see or explain the process very much in terms of the changing structures which give individuals some autonomy over the change which they are experiencing due to changing structures. However, the view taken here is that this is rhetoric and attempts to justify the processes explained in the section above.

6.2.2 History of pay

Until the late 1980s, both the unappointed and the appointed schemes were similar. Appraisal had been a feature of the pay scheme for some years and position in the range depended to a small extent on the performance rating. However, the schemes were seen to be more closely linked to seniority than performance. The schemes utilised five ratings and were seen as a subjective assessment of each individual.

At the end of the 1980s a new job evaluation scheme was introduced for the management grades. It had fewer grades but a much wider salary range within each grade. Job evaluation united the old headquarters and branch management systems because of problems with wage drift and a lack of flexibility. The ultimate aim of these changes was to combine the introduction of ‘management by contract’ with the new grades in order to create a new reward structure; the eventual aim will be to link pay much more closely to performance. The company argued that the changes were integral to a wider development programme and were made to ensure that the bank continues its success into the 1990s. The company stated the following in an internal document: ‘To maintain and improve our leadership in the financial service sector requires a renewed potential for
business performance'. It went on to say that it needed a re-focusing into yet more clearly defined corporate and individual objectives.

The culture within the financial services in the UK has traditionally been one of slow change, predictability and security. Status has been an important element in job grades which offered slim opportunities for improvements in relative pay. This is now thought to be inappropriate to meet the challenges of today’s commercial environment. This change was thought to be essential for two main reasons: To provide greater personal accountability in meeting objectives and to discriminate more between the rewards available for differing levels of performance.

On this basis, the Management by Contract system was introduced in January 1991 with the new grades of MG1 to MG7. The components of the reward system were now made up of three main elements. Firstly, there was the base salary, initially determined by job evaluation which placed the job within one of the seven salary ranges. Each grade would have a salary range which included a minimum, maximum and mid-point referred to as a ‘bar’.

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<td>Band Minimum</td>
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Positions within these ranges would now be determined by a combination of cost-of-living rises and an increase determined via a matrix system based on merit or performance. In addition, there was to be a bonus element also based on performance. This bonus was to reflect set percentage increases, depending on the ratings awarded via the appraisal system.
The matrix above shows that instead of someone progressing to the maximum of their salary band solely on the basis of seniority, this could now only be done on the basis of performance. That is, someone would have to continue to perform and exceed their contracts to be able to progress to the maximum of their salary band.

In order to aid the appraisal process, each manager is now given a performance contract between themselves and their immediate boss. The contract is supposed to reflect the ‘whole job’ and is made up of five to eight ‘Key Responsibilities’ (KRs) which are supposed to represent the fundamental purpose of the job and its outputs. Further, these KRs are then be divided into objectives. The KRs and the objectives are supposed to be in harmony with wider bank strategy. The principles behind Management by Contract are laid out as follows:

- Know clearly what is expected of us and why,
- Have demanding but achievable objectives,
- Have the ability and desire to meet these objectives,
- Have the freedom to make things happen,
- Are held to account for our actions,
• Are recognised for what we contribute, and
• Are given help when it is needed.

At the end of each contract year managers are appraised against their contract and awarded one of the following ratings;

• **'Fell short'** of contract - the assessment given to those who did not achieve the agreed performance in at least one key responsibility;
• **'Met'** contract - meeting the needs of the job by fulfilling each of the key responsibilities; and
• **'Exceeded'** contract - exceed in the majority of your key responsibilities, including, as appropriate, that relating to profit, revenue or cost management and have met all others.

When assessing performance against contract, the purpose is not to assess the person, as in the old scheme but rather, to establish the extent to which the agreed plans were met and the reasons for under/over achievement. Because there is difficulty in defining what good or exceptional performance looks like, it is sometimes necessary to look beyond the criteria and focus on aspects such as quality. An important element of this process is agreeing the KRs and the objectives. In this way, according to the theory behind Management by Contract, it enables a reasonably objective discussion rather than the traditional subjective appraisal techniques.

The bank has attempted to monitor the scheme via feedback and staff surveys. These mainly show that, although the majority of staff generally agree with the principle of Management by Contract, they are not at all happy with the mechanisms of the scheme. Because of this, the bank has made two major changes to the scheme and is looking at another three elements for the future. Firstly, it aims to make the scheme more attractive by giving more autonomy over pay decisions, the bonus element was altered from being a fixed percentage for each appraisal rating to having a maximum for each rating within which the
managers were allowed to determine what the exact percentage should be for each person. Secondly, the bank needed to translate the scheme into one of ‘best practice’. Although the bank had all the components of a performance management system, they were not integrated as such. Therefore, it is now attempting to build an integrated system which incorporates the pay element with other factors such as a competency framework and business objectives.

The bank is at present, considering three other factors for future introduction. Firstly, it is re-considering the possibility of introducing still greater autonomy in terms of further decentralising pay. This would include giving regions their own budget in terms of total staff spend along with information on distribution and market rates and then permitting them to decide how they allocate this. Secondly, they are hoping to introduce a new grading structure of six grades only to cover all staff. Finally, they are considering the introduction of a teamwork element to the pay allocation which would mean, for example, that 80% may be determined by individual performance with the final 20% being determined by team performance.

6.2.3 The Bank Co. cluster

For this part of the fieldwork, several weeks were spent in a ‘cluster’ of branches in the East Midlands. A cluster, for the benefits of the uninitiated, is exactly as it sounds. It is an administration unit of, in this case, about 13 branches which were themselves split into customer-orientated groups (see below). Clusters then report to regional office. Total employment in the cluster was somewhere in the region of 270, including about 30 managers. The intention was to talk mainly to managers as they were directly affected by ‘Management by Contract’. It became evident, however, that other staff were soon to have the scheme introduced. Therefore it was only fitting to seek their views as well; not only their thoughts on PRP but also how it had affected them so far via the management scheme. Another reason for interviewing other staff was because of the changes which were happening to the traditional hierarchical structure within banking. Traditionally the hierarchy was split into two main sectors - the
Appointed and the Unappointed. Over the past 15 years, due to the changing structures and job content, some staff within the unappointed grades had become managers while others in the appointed grades had less managerial power than before in terms of staff responsibilities.

The structure of the cluster consisted of a main branch which incorporated the senior managers and some of the central services such as business centre, international department, customer services and typing pool. However, the bank was split into four core customer-sited groups which were based at varying different buildings or branches. They were as follows:

- Operations - including people such as cashiers, accountants, and customer services and so forth;
- Personal - sales forces that actually sell the loans etc. to individuals;
- Corporate - those dealing with the business customer side of things; and
- Risk - those dealing with the maintenance of loans and so on.

The morale in the cluster can best be described as extremely low. This had been caused by major change to both the structure of banking and its jobs, and simultaneously downsizing. Despite the fact that many people said that there was no longer a sense of company loyalty, especially among the unappointed staff, staff were found to be extremely loyal and conscientious.

Many staff said that they were completely exasperated with anything which came under the guise of customer service and that, in general, in banking now, it felt as though they were managing a cost-cutting exercise rather than managing a business. According to senior staff, time lost due to sickness has been phenomenal and answering customer service is now hectic (with staff handling many more calls than in the past). The general impression given by staff is that the sales side are gaining all the resources and the better treatment while the backup staff are experiencing the redundancies.
6.3 The objectives of PRP and the management of objectives in Bank Co.

The previous sections set up the background to the scheme and its organisation. The following will highlight why the objective-setting process went wrong and in what subsequent ways the scheme has been utilised for other purposes.

6.3.1 The vagueness of PRP

The company said that the main reasons for introducing the scheme were to aid the process of a change in culture, to help them control labour costs, to introduce a better link between pay and performance and, to a minor degree, to bring about more motivation. It was, therefore, important to assess whether this was being translated to other layers of management. One of the first questions asked of the managers was 'Why do you think the company is using a PRP scheme?' There was a general feeling that this was part of a new business ethos in the UK, and that there was also an element of it being the latest buzzword to do the management circuits. A second set of responses was that it concerned saving money. Finally, a large proportion of managers initially said that they had been asking the same question for a long time.

The second set of responses fitted well with another question put to managers asking what they thought were the main 'aims and objectives of the scheme'. Comments ranged from those around saving on labour costs, especially on the non-pensionable element of pay, to those involving focus and getting managers to actually do their job. It has, in fact, been argued that restructuring of management is seen as a critical link in the regaining of competitiveness, much in the same way as the restructuring of trade unions in the early 1980s.

For many staff, all of these factors were reflected and portrayed by the 'performance contract'. They obviously felt that they were looking at a very clear set of objectives with the contract. In management's opinion, however, these objectives were not always seen as those that the bank should be concentrating on.
This thus highlighted management's role as subjects of PRP rather than the designers of. A manager explained it thus:

I don’t think the contract system recognises all the jobs in the bank. If it was a pure sales organisation there would be no two ways about it. But there is more to it because there is the relationship side.

This relationship side meant that managers recognised that, within the bank, a very important factor was making sure that customers or accounts were not lost. To some, this was as important as making money via sales; they argued that an emphasis on selling alone was too short-term. Not quite believing that the bank would be so stupid as to not recognise this, it led to accusations by managers that the scheme was only there for one reason: to reduce labour costs, and in particular, pensionable salary costs. This was, however, combined with a recognition that for the bank, it was also a means of replacing ‘an archaic salary structure which didn’t suit today’s bank’. A manager summed it up neatly:

The bank get to the situation where they have taken out a big chunk of your pensionable salary into PRP but by the nature of the contract that they set, and it is set with very little discretion, they can create a ‘met’ and therefore reduce the overall costs....and get away with it because there is so much uncertainty in banking. So its quite pleasant from their point of view because they can actually impose the contract from day one, ‘fail’ you if you don’t achieve it by day 365, or they can ‘meet’ you, which they have assumed a ‘meet’ anyway, and they are still better off because they have shifted their costs and reduced their pension obligations. So that’s good management to me but it doesn’t motivate the staff.

Managers thus recognised the need for change yet, simultaneously, were very critical of it. Many of the staff said that what motivated them was not the contract but how well they did in the headline figures. They emphasised that they did not want to look bad when the list of what everyone has done was produced. The scheme thus does not motivate but it did make staff want to achieve their figures in order to appear competent. This clearly highlights the point made in Chapter Six concerning the positive and negative aspects of motivation. The scheme has been forcing staff to achieve figures by all of the methods mentioned in the negative rather than the positive list. The Management by Contract scheme
aided this process by monitoring and measuring staff in two main ways. Firstly, it could be used by staff to monitor and compare themselves with the second, which was the bank’s own measurement and monitoring systems. To some extent, because most of the interviewees were management, they were prepared to endure with, and even defend parts of this logic:

I think from the bank’s point of view it is ideal because it gives them a stick, which I think they need to be fair. They pay us a reasonable salary, they have got to expect us to do things which are in our contract. How else do you say you should be doing this or we expect this.

This highlights the problem of companies gaining consent from management and whether the managers actually comply (Edwards 1987; Thompson and McHugh 1995). The scheme, according to the bank, was giving management a tool with which to manage. This does not necessarily mean, however, that it actually makes them manage. To clarify further, as will become obvious below, what this scheme actually did was to force managers to make decisions based on the contract. The problem is, however, that if managers deviate, they may do neither. This is where dilemmas begin to occur.

I think we tended to concentrate on specifics, specific figures, specific profits, specific targets and not....it’s difficult to say we haven’t given service, because I am sure that we have, but you can tend to neglect the service which in the long term builds up your long term relationships and your long term profits.

On the other hand, ‘if you raise discretion, which they are doing at the moment, manipulation can creep in’. This leaves management with ‘grey areas’:

The trouble is you can’t learn to play the game because we don’t know what the game is anymore. You can try to impress whoever signs your contract off, but what is the game?

Many managers said that the company is a branch network so you need consistency and rules for everyone, otherwise discrepancies make a mockery of the scheme. They were asking for consistency in ‘playing the game’, yet at the same time, consistency often meant standardisation, which in turn, meant a lack of
flexibility. Management were clearly not happy with the scheme at either extreme. Too much discretion meant no rules, too much consistency meant standardisation.

6.3.2 Pay

As mentioned in other studies of PRP the schemes relied heavily on appealing to notions of fairness based on equity (Kessler and Purcell, 1992. Geary 1992). This was largely confirmed by this study, but with a twist. Everyone agreed with the principle that people should be rewarded for their performance. Yet it was equally true that, in practice, very few thought that it actually worked.

It also became clear during the fieldwork that there seemed to be at least two separate cultures developing within the bank. The first concentrated on 'service' and although one could say that it was a direct descendant of the old banking system where customers were seen as part of the family - the all round banker - in many ways it was not similar at all (i.e. it was far more product based). The other was the sales culture. This was very strong in some departments and staff actually said that they would like a large proportion of their salary determined as commission. Employees from both cultures were very wary of the other and accused each other of not working in the correct way. The service side thought that the sales people often disregarded important chunks of their job in the search for sales figures, while the sales side accused the others of being 'dinosaurs', stuck in a bygone age of banking. The different cultures obviously made a great difference to the way in which PRP was viewed. Similar kind of results were also found in banking by Smith (1991) and Storey et al. (1997).

People were generally happy with the amount of basic pay that they received but not with the mechanisms of pay. The new bonus element went some way to alleviate the problem of the scheme being too mechanistic, but even here, management was wary about how it should use the bonus element. These problems were highlighted in three main ways: firstly, there was the problem with grading and changing promotional structures. Promotional opportunities were no
longer available for many, and even where they were, staff thought that much of the time, the wrong choices were being made. One example given was of a person who was an excellent salesperson but terrible as a manager. Therefore, it was felt that the scheme should be able to reward without using promotion. Secondly there was the problem that the scheme had become too subjective and was open to manipulation, not just by certain individuals, but also by the institution.

Last year our manager got an ‘exceed’, but when it went to regional office they decided that he had not exceeded sufficiently so it was brought back down to a ‘met’.

Another manager said:

having decided last year what I was going to give subordinates, we then received a message saying that we were not to tell people if they were going to get above the ‘norm’ rise. The reason being that they were worried that they were going to exceed the budget. This reinforced my cynicism.

Finally, there was the problem, or the perception that the scheme was not determined very well on an individual basis. ‘In practice, it is difficult to get more than the leader gets’ and ‘it is not very tightly defined as far as the individual is concerned, that is, there is not a lot you can do as an individual to affect it’. Most managers perceived that there was only a certain amount of money set aside each year which the company would then decide how much it was going to pay out. They thought that regional office were responsible for distributing this. They also thought that this distribution information was unlikely to be shared with other managers. Although they were not formally told this, this is precisely what happens, according to both central and regional HR managers.

6.3.3 Measurement

One might think that, if introducing a scheme such as Management by Contract, there would be some idea of how to measure the success of the scheme. When managers were asked ‘How do you know the scheme is working?’, however, there were two main types of answer, neither of which pointed to
scientific methods of assessment. Firstly, some commented that they had no idea how it would be measured or of whether the scheme was actually working or not. Many of them thought it was too difficult a task anyway. The second group of responses indicated that profits or labour costs would be the main two indicators. As Mulholland (1997) argues, however, profitability as an indicator of performance and measure of efficiency is flawed because it reveals nothing about the politics of production or the different sets of interest within the organisation.

Managers were asked how they thought the company judged whether the scheme was successful or not? Most thought that it was an interesting question, one that they had been asking themselves. They thought that the only way that it could be measured was to look at profits, and that there should be some sort of correlation between profits and how many ‘meets’, ‘exceeds’ or ‘fails’ the bank gave out. Another manager felt that it was more simple than this and argued that it was aimed at driving customer service. If the customer service surveys were Okay then the bank would think that the PRP scheme was working. Only two people thought that the contract could actually measure the work that they do. But even here there were reservations. Most respondents made comments such as: ‘too difficult’, ‘too subjective’, ‘you just can’t measure it’ or ‘easy to cheat’.

To ensure there is good measurement one must first know what it is you want to measure (i.e. have well-defined targets and objectives). Secondly, one must then have the procedures in place to actually accurately measure how well people are achieving their targets. There were problems with both these factors. Firstly, managers were highly sceptical that they received clearly defined targets. We are very amateuristic at setting targets, we don’t have enough experience at setting our own objectives.

A lot of the elements of their jobs they did not think were quantifiable.

How do you measure customer service? Introductions.....I can produce thousands of them if need be. Training staff, how do they know what I am
like? It depends how much they monitor you, but you can’t actually monitor that contract.

Some managers thought that financial objectives could be measured and, because they received monthly reports telling them where they were, they assumed that this was a fair and accurate reflective measure of performance. This assumes, however, that one is ‘getting it right’ in the first place. As a manager said:

None of the measurement systems are robust enough yet. The auditing is not enough to make sure everyone is doing it properly......I think one of the problems is just measuring what a good job is. You could be doing a good job but not making any money. If the bank adopts a policy that doesn’t go down well with customers, you have to sell that policy and keep the customers at the same time. So you may not make any money but you may well be doing a better job than someone who is. You stop the bank from losing money......We have never been good at rewarding true performers....If you give someone a contract they can exceed that is useful....but if they are exceeding because the contract is wrong then you are in trouble.

When asked, ‘do you feel pressurised by the contracts and objectives?’, only five people said that they felt directly pressurised by their objectives. Others commented that it was more of a focus or that the pressure was just from the volume of work rather than the objectives per se. Again there seemed to be a distinct split between the sales and other staff although this was more to do with the pressures of the job than the contract. The enthusiastic sales manager commented thus:

I usually set my own goals as well which are usually higher than the bank’s. So the pressure is in the job and not the contract. I get slightly irritated when we are matching words on a piece of paper with what I have done.

Others recognised a divisiveness in the scheme:

It depends on how important the bonus is. Some people are quite happy to plod along especially where base salary is high. But it is a culture change now towards more bonus so that this means that relatively if people don’t perform their basic pay levels will start to fall progressively behind.
Thus, although pressure may not be immediate, if, after time colleagues are ahead in terms of base salary while doing the same job as others, then pressure will begin to apply. Others mentioned the increasing pressure but insisted that part of this concerned the fact that they were just expected to do much more work now. There had also been many new appointments in the bank and these people wanted to be seen to be doing well so as to keep the pressure on their subordinates to meet the objectives.

Because there is a very high likelihood that the contract scheme will be introduced to the unappointed, it was interesting to gauge what staff thought the differences theirs and the management scheme were/are. The unappointed had very little working knowledge of the management scheme. Most mentioned that managers do not actually talk about it very much unless something specific was affecting them. Those who had conversations about it said that managers complained a lot about the fact that they had an enormous sense of 'loss of control' or that the scheme felt as though it was keeping them 'under control'. This put a lot of pressure on managers, according to the unappointed staff. One supervisor commented:

Even management have constraints imposed upon them....Most of the time they can't meet the targets they are told to meet. Effectively they give themselves a pay cut so they don't have a breakdown.

Because of this, they all felt that most staff would fear it. They already felt extremely threatened by the thought of being put on a similar scheme.

This section highlights the vagueness of individual objectives and measurement of them. The following section will highlight that this was the case with the overall business objectives, which aimed at various control elements.
6.4 Management by Contract: The politics of PRP

6.4.1 Business objectives

Management by Contract schemes are supposed to link organisational objectives with personal objectives. Managers were asked whether, in their contracts, they were aware of a link between their objectives and business objectives. All respondents said yes, but it would seem that their knowledge of business objectives was very localised. Very rarely were business objectives explained to them in their entirety and not one manager had an overall picture of what the business objectives of the bank were. All said that business objectives were cascaded down from level to level and from individual to individual. The focus was on defined sectors and the link between individuals and teams in these sectors. Several managers mentioned the fact that ‘all the clusters have similar targets driving to meet the regional pot’. It is a very cascaded process: ‘I assume that they mirror the group objectives, but I doubt whether they will be the right ones because there is too much change over a yearly period’.

Contracts were obviously an important part of the whole procedure. The performance contract should be an integral part of defining exactly what the duties of the employee are, yet in Bank Co. contracts were ‘standardised packages individually wrapped’ in order to provide an amount of consistency (Evans and Hudson, 1994). However, constant change in the branch network was now leading to problems in this area. As was mentioned earlier, many of the jobs were becoming standardised and specialised in defined sectors. This led to a minute division of labour within the banking industry. Yet the bank staff complained that the two do not always match (i.e. contracts need to be sufficiently broad to encompass everything they do). This meant that staff could say that contracts suited their jobs on paper but that this did not transfer easily into daily practice.

At the same time, it was clear that most managers realised that the contract made them focus. It did not really matter what the individual perception of
contract were - ‘I don’t care’, ‘I don’t like’ or ‘I go my own way’ - the contract dealt with different types of management to make them focus on the business.

the only thing I can think of is that it might steer your conversations with customers, because you know if you are behind in your objectives you are going to want to start to….for example, sell more insurance and that sort of thing.

Others were less subtle about the matter:

If you sign a contract, you have got to be conscious of it throughout the year. It’s no good you going your own way because if you have not met the objectives in the contract you have failed.

Therefore, it was extremely interesting to question why managers should actually worry about the contract. Although the bank had introduced the variable bonus element, it was still relatively difficult to be awarded an exceptional bonus. Combined with this, many of the senior managers mentioned that once a certain salary level was achieved, the incentive part of the salary began to become less important (although not having it may be more important). Thus, if it is not the reward element driving it, what could it be? The answer seemed to lie in ‘peer pressure’. One senior manager summed it up when he said that he operates in the same way whether there is a contract or not. He said that he had always been successful and that this wasn’t just down to targets. He continued:

the bank now have information systems which were set up in such a way that you always begin to make comparisons. So you start to do it unconsciously.

A more junior manager reiterated the same problem when he said:

at first I was really motivated, but then in reality.....PCA (portfolio contribution analysis) which is the income side of things, we get peer pressure on what to achieve, you know, so and so has agreed to this why can’t you.

So, there was the focus and then there are drivers to reinforce it in that:
it is human nature that if you have got a contract driving you, you tend to drive your work to achieve that contract.

Thus, the contract seemed to be there for two inter-related reasons - To focus and to drive. Senior management might say: what is wrong with providing focus, after all we are in business? The problem, however, is that focus does not necessarily mean that matters are actually running efficiently. As one manager noted, 'this is not a performance-related contract, it is a target related one'. It means that one's overall aims are steered towards the targets and not necessarily towards overall performance or efficiency. For efficiency, there would have to be some proof that the focus was on the right types indicators or that the contract covered all aspects of the job. Yet, as another manager commented, 'if you concentrate on your contract you wouldn't speak to anyone else and that is not good for teamworking'.

It would seem that the performance contracts, like employment contracts, meet with the age old problem of being able to specify every component of the job. Standardised contracts make the problem all the worse, especially when the company is undergoing rapid bouts of restructuring. In the words of another manager:

it used to be well defined but with all this change it is so woolly. We have merged, and jobs have changed, but I still have the same contract.

Where new jobs had been created, staff were often working with their old contract, an old contract from the new department, or even with no contract at all. The problem was that no one really knew what the contract was for anymore. As one manager said:

originally we found them quite motivating. But when we saw these new contracts we said how do you 'exceed' or 'meet' this. The only figure they have got in there is PCA target but we don't understand it. We don't understand what it is, we don't understand whether we can meet it, but we need to put a figure in because Head Office said so. We looked at it and said we are 'meet' because you have got to do something exceptional to 'exceed' or something stupid to 'fail'.
Other managers said that, due to outside forces, they knew that they had failed the contract well before the year ending. For example, circumstances had changed for one manager by the time his budget had been set up. Another manager, who was in one of the new sections which meant that there was some element of choice in terms of what went in the contract, said that everyone was wary and frightened about writing a contract because they had heard so many horror stories. They constantly looked to put figures in that suited them, rather than put down anything challenging in case they could not meet them.

Talking to the unappointed staff highlighted how employees get drawn into such schemes, even when they know they are being exploited by the company. On the positive side, staff thought that they might get more money if pay were linked to performance or that they might have some individual influence over their own pay as a way of recognising their efforts. On the negative side, staff thought that it would put a lot more pressure on them or that it would actually be pushing them to do more all the time.

Most managers felt that they did not need a scheme for their employees because it was their job to motivate staff. Some did think, however, that there should be a scheme for ‘career’ staff, indicating that they felt that there were now two kinds of staff (i.e. those to be trained and developed and those who, one senior manager labelled, ‘cannon fodder’). Managers mentioned that they thought there would be measurement problems with the unappointed but, at the same time, commented that cultural differences were now taking over the bank. Many managers had moved from more sales-orientated divisions and as one explained:

the cultures are very different. Creditcard division is a very commercial organisation, very cost conscious and profit orientated, it embraces change and runs with it. Domestic banking is less so. They are more disciplined but less technologically advanced. They live in a much more paternalistic environment whereas in Creditcard division you look after your own career and future

They felt that this kind of culture, with the scheme, would help to focus staff.
6.4.2 Management tool

If changing structures meant that there had to be a change in the ways in which management managed, then an assessment of whether Management by Contract is in fact one of the tools for doing it was needed. Only three managers said that they did not think that it was a management tool.

The way things are going we need a system to benefit the hard workers. It (The scheme as a management tool) becomes an integral part of the remuneration package.

There are different levels to this analysis, however, in that it was viewed as both a negative and positive tool. Most of the people who said yes thought that it was a driver to focusing and checking on people’s performance.

It focuses your mind and your bosses mind, what you are there for and what is expected of you....“It makes an easy checklist to see how well you have performed, but I would debate how effective it is.

So the positive elements began to turn into negative ones:

Yes I think the bank over the years is moving to a more dictatorial role with its managers, and I believe it will continue to do this and use it as a management tool to get rid of managers that are not effectively achieving.

Those who did not agree that it was a management tool tended to think the opposite in that it was not a driver but rather it was used more as a ‘stick’. One senior manager even thought that it was used as a management tool to standardise jobs. This was a very interesting comment and fits in with the argument raised later that for all the case studies, there was a considerable amount of standardisation of work tasks.

6.4.3 Labour costs and distribution

It is clear that both from the company’s point-of-view, and for most of its managers, one of the key concerns when introducing the management by contract scheme was control of labour costs. As one senior HR manager put it:
Although control was not an out and out objective, it was there in the background. We needed effective targeting of salary spend and it achieved that. Only those people that continually achieve get towards the top end of the scale. It allowed us to get that under control and we have a much better idea of the shape of our structure.

Keeping the shape of the structure meant that they needed to keep the distribution to the normal ‘bell-shaped’ curve. Thus, distribution of performance was also a very important factor. Companies were keen to keep a pre-determined distribution in order to allow the effective spend of the salary bill. The obsession with distribution was clearly highlighted in the region in which the fieldwork was carried out. In the first year of the new bonus arrangements (1996), total spend on bonuses was only approximately 55% of the budget allocated for the region. This was explained by many managers as the outcome of everyone being so wary about what to award because HR had been advising caution. Management were, in fact, told not to tell staff the percentage they were going to receive if they had recommended them for an above the ‘norm’ increase because they were afraid of going over budget. The plan was that if budgets looked like they were going to be exceeded, awards would be reduced pro-rata until the budget was back on target. In this way, staff would not be upset if their bonus was decreased after the event. Yet in the event of the budget being under-spent management did not intend sharing this out pro-rata as HR were now happy with management making its own decisions and said that it was only right that they should abide by those decisions. Thus, empowerment only worked in one direction.

6.5 Summary: organisation and effect

A merging of branches and jobs into new grading and banking structures was present in Bank Co. and the pace of change was showing no signs of slowing. More technology was expected in the form of customer service machines with the bank encouraging the use of these rather than the counter (where necessary). There were also moves towards the automatic measuring and monitoring of CWIP (clerical work improvement programme), the bank’s equivalent to time-and-motion study. Other efficiency and cost-controlling measures were also being
closely and constantly monitored. Despite this, there was criticism at all levels that measurement problems were rife within the structure. Levels for targets were often done on a 'hit-and-miss' basis and inaccurate targeting was leading to a lack of co-operation between sectors as they all sought to hit their own targets by fair means or foul. Centralised functions were also made more difficult because they overlapped with the work of individuals, which meant that now these services were officially supplied by central services, individuals were not given any time in work schedules to complete their jobs. Again, this led to a considerable amount of 'fudging'. Departments were working below official staffing levels and staff were being told not necessarily to work harder but to work 'smarter' which was insulting to all. On top of this, redundancy programmes aimed at back office operations meant that the bank had lost a lot of valuable experience in the running of these and other functions.

6.5.1 Labour costs and distribution

An emphasis on costs and distribution had major implications for performance and the messages that were sent to employees. While the firm was encouraging them to perform more efficiently, it was also recognising the fact that only so many, the best performers, will be recognised for this. This is a factor which is seldom recognised by staff, even senior management, prior to the introduction of the scheme. In fact it is doubtful whether companies recognise the implications of this themselves. Even so, it is here that the dilemmas begin to creep in because of the lack of clarity and honesty over what the scheme is supposed to be achieving. An emphasis on discretion and empowerment are obviously meant to soften the effects and to make it look as though staff have some choice over the decisions they are making. The bonus element of the scheme was clearly an effort in this direction. Management, it was argued, were given discretion through the bonus to reward their staff as they saw fit. What the bonus scheme did in reality, however, was force local management to take responsibility for their decisions, thus shifting the onus away from central functions.
The crucial and simple point here is that pay is not based on performance but on distribution. The scheme is not piecework or commission, based on effort for predetermined amounts of money. It involves sharing out of a controlled pot. The outcome is an implicit message which is wholly negative. What makes it even more negative is that while staff do not fully understand the reasons why, because of confusion over matters such as subjectivity and objectivity, they most certainly feel the forces of this confusion and the inconsistency that it breeds.

6.5.2 Focus, drive and modes of control

Focus and drive were clearly the main forces involved with the Management by Contract system. The scheme was clearly thought about in terms of being a management tool to carry out this process. As we saw, however, the scheme as a management tool involved both positive and negative elements. What we found was that it was not in fact the scheme which was the driver, rather, certainly in sales, the headline figures and the peer pressure which drove people to hit their targets. The contract focused people on objectives but one of the major problems was that most managers actually thought that the objectives were not always the correct ones for the long-term benefit of the bank. Added to this was the problem that objectives did not even cover the majority of a person’s job most of the time. This was especially the case with the non-sales staff. Further because of the constant change and the staff shortages and so on, people were still expected to cover various jobs despite the trend towards standardisation and/or specialisation. This made a contract based on one job, or a specialisation of it, null and void in reality. Again, it came back to the problem mentioned earlier that the bank was attempting to restructure itself technologically but had cut back on staff to cope with this before most of the technology or structure was actually in place - a classic case of putting the cart before the horse. This, in turn, again was due to a combined pressure to cut back on costs because of increasing competition.

It was extremely tempting to try to encapsulate a mode of control in terms of one of Edward’s (1979) three modes, or to present a new category which
reflected a progression of these categories. There were, however, many modes of control present, highlighting the simplistic nature of Edward’s attempt to categorise the evolution of control, no matter how bold it may have been. The list below categorises all the elements of control that were present and utilised via the PRP scheme:

| Standardisation | Control over work process and the division of labour. |
| Labour costs/ distribution | Control of pay - ‘The carrot’. |
| Responsible autonomy | Control of management - very little direct monitoring. |
| Coercive autonomy | Control of the management of management. |
| Systems control | Headline figures. - Peer pressure - ‘the stick’. |
| No debate | Control via silences over pay. |
| Cultural control | Sales mentality - peer pressure. |

Staff were not, however, merely the recipients of control. They also consented to some forms of behaviour while they resisted others.

6.5.3 Playing the game: The effort bargain and resistance

Staff were clearly beginning to learn the rules of ‘playing the game’. Although the game was not yet clear, due to the rapid change, it was quite transparent for many that while the business of the bank meant one thing, the achievement of targets often meant another.

Measurement systems, while becoming more and more advanced, were not quite sophisticated enough to measure every component of the job. Secondly, there had to be some questioning as to whether the reliance on those indicators which were utilised was the right indicators to measure in isolation from other factors. Staff were not always happy about bending the rules to play the game but it was clear that they were prepared to do so if appearing to succeed depended on
it. In this case earning the bonus was less of concern because most assumed that they would be awarded a 'met' anyway. What was important were the following two factors. One was to appear to be hitting the targets in terms of the published headline figures; the other was control over the effort bargain. Both of them can be viewed as elements involved in the redefining of the wage for effort mechanism. As mentioned in Chapter Two, Baldamus (1951) argues that there are two mechanisms to control work intensity. One is the payment system and the other is the system of administration.

Management by Contract involved both of these factors and can be viewed as an attempt by the employer to generally gain more control and compliance over the costs and the operation of the various production units. Management by Contract and the associated job evaluation utilised PRP as a payment system to redefine the effort-wage relationship, while also utilising the contract to attempt to administer what work should be prioritised. We also saw earlier that the HR department had been reconstituted into a new system of administration in which people management and policy were combined in order to create consent for areas such as policy, while at the same time, softening the effects of this by using the language of training and development and autonomy.

Reduced autonomy, discretion and centralisation of the different production units also occurred within the ambit of handing more autonomy and discretion. This, however, occurred only within defined budgets and rules. How then can this be understood? According to Streeck (1987), economic crisis forces employers to look for innovative strategies as a way of competing with other firms. PRP is just one means of finding a best practice with which to compete. Technology, work organisation, labour input and industrial relations institutions are all interlinked but how best to use them is a matter of experiment (Streeck, 1987). Similarly, Nolan and Edwards (1983) emphasise that that employers may use many means to gain compliance or control but may not always know what it is they want to achieve. Certainly, Management by Contract may have seemed attractive because it incorporates most of the above but in terms of addressing the
problem of labour costs, it responds to the dual problems of occupational and employment factors (Baladamus 1951). Occupational deals with the skill and experience component of the wage rate while employment represents the rate for a particular amount of effort. Both factors were being addressed by the bank in the form of the division of labour and PRP.

In the old pay systems based on the 'going rate' and seniority, effort was defined mainly in terms of inputs, while schemes based on PRP meant that effort became redefined in terms of outputs, even where schemes were supposedly based on competences.
CHAPTER SEVEN

RETAIL CO.

7.0 Introduction

This chapter looks at the performance management scheme in Retail Co., its organisation and effects. It begins by examining the changes in the retail sector more generally before looking at how these have affected the response of the company. It will then look at the performance management scheme, the objective being to highlight the vagueness of the scheme in terms of its stated aims and objectives. Indeed, rather, the scheme involves control elements which are aimed at responding to the competitive position in which the company found itself during an era of intense competition, restructuring and technological change.

At Retail Co. the research took place at four separate stores and in various head office departments. During visits to stores, I researched by walking about freely and talking to staff at any time was permitted. Some were interviewed on the shopfloor while others said that they preferred to carry out the interview in private. The stores and departments were chosen in consultation with senior personnel of the company, but the individuals were mainly chosen at random by myself in order to prevent any bias. It was only in those departments where it proved necessary to pre-arrange meetings where the company chose staff at random for me. As well as formally interviewing 75 staff, written details of the scheme and pay arrangements more generally and any further information that was requested was provided.

7.1 Retail sector

The retail sector has always been very competitive but in recent years it has experienced many changes which, in turn, have led to changes in the structure of the industry. The sector is not a coherent whole so the responses to the
changing situation and environment have been many and varied. As Walters and Laffy (1996) state, however, there have been three main factors which have been responsible for much of the change, including influencing major changes in customer response:

- Social change - leads to consumer changes in expectations, behaviours and expectations;
- Economic change - influences many things such as income, employment, development decisions and diversification opportunities; and
- Technological change - resulted in changes to working patterns, changes in customer service and changes to cost profiles.

These changes occurred over time periods. In the post-war recovery period, there was a growth in the sale of consumable durables and the multistores which sold them. During the 1950s and 1960s, many companies undertook acquisitions in a bid to speed the growth process up whilst applying pressure to suppliers. The 1960s also saw a particular growth in the development of ‘own brands’ and a move away from solely low-cost based on quantity to more quality. From the 1970s, there was also a growth in segmentation and customer profiling as customers began to demand more diversity and to challenge previous notions of style.

Technological developments in retail have been great and have diffused rapidly, especially more recently during the 1980s and 1990s. Technological development has occurred in distribution, material handling and packaging to name but a few but by far the greatest impact is in the area of information technology. Information technology has had both internal and external effects. Internal benefits have accompanied the introduction of EPOS (electronic point-of-sale) data collection and EFTPOS (electronic funds transfer at the point-of-sale). EPOS has enabled retailers to manage inventories much more effectively. Stock levels have generally lowered while availability has increased. It has facilitated
merchandising replenishment and recording. The accuracy and immediacy of data flows produced by EPOS have also provided reliability in what is an unreliable sector. The consequences have been that planning and replenishment can operate on lower levels of stock and to shorter and much more accurate times.

Electronic data processing technology also has allowed greater management surveillance and control of the labour process. EPOS, in particular, allows labour monitoring and gives the facility to schedule labour more effectively (du Gay 1996). By deploying labour at peak activity periods, overall staff costs can be lowered significantly. It also reduces operational costs as in the case of price marking. It can then work further down the chain by enabling labour schedules in distribution centres to be planned more cost effectively. Finally, it helps to control the costs of pilfering. The external benefits are that a different approach to the supplier/distributor relationship is available. EPOS data can create a whole supply chain, being extended, if necessary, right the way down to the producers of the raw materials.

IT in general has allowed the focusing of sales down to different customer groups. It has permitted developments in unitisation - productivity of sales space is optimised to increase sales density. During the 1980s, the professional approach to retailing apparent in the 1970s was becoming dominant in the successful businesses. Clear views were taken concerning the positioning of businesses within their target markets. The 1980s and 1990s are argued to require a much more strategic view of retailing although just how strategic this is is open to interpretation. It has been the 'value led' 1990s, based on either quantity or quality, the 'back to basic' approach. This has produced a clear view of management philosophy and style for the 1990s as the pursuit for increased profits have focused on generating higher turnover and slimmer mark-ups. Having pursued rationalisation and restructuring many organisations emerged with much more favourable margins.
Efficient companies have positioned themselves so that they will be able to respond to growth opportunities with management and production structures that will benefit from low operational gearing. Companies have also taken a long look at 'what business are we in?' This has resulted in major divestments being identified as not being central to the rest of the business (i.e. a redefinition of the 'core' business). Retail Co is a prime example.

This intense restructuring has caused much change in the way that retailers view their labour. For most retailers, labour represents the second largest outlay after merchandising costs. It is therefore not surprising that finding efficient ways of utilising labour are a great priority for many retailers (Penn, 1996). du Gay (1996) argues that an intense division of labour, a pronounced centralisation of command, surveillance and control have reduced significantly the degree of discretion exercised by shopfloor workers and even store management.

The impact of decreased employer commitment to, and increased surveillance over, retail workers is reflected in the problems which retailers have concerning growing staff turnover. This is not helped by the fact that most of the major 'multiples' have tended to go for a Taylorised mode of organising employment. All of the above may have led to what Fox (1991) calls a 'low trust' relationship in most retail companies as shop workers were transformed and deskilled from assistants, who were expected to give customers personal service and have a detailed knowledge of goods, into check out operators (Sparkes 1996). Yet one has to qualify this by asking how far, for example, the check-out worker of the 1970s was a skilled sales assistant in the first place.

But towards the late 1980s and 1990s, however, the retreat back into specialisms, as competition intensified, led retailers to compete not so much on volume but on customer and quality service. The customer became 'god' and this meant a different emphasis on shop workers who were now the key to providing customer service and capturing the hearts and minds of the consumer and not just their purses. Many commentators imply that this may have an empowering effect
(e.g., du Gay 1996) but within the minute division of labour that has occurred, it is extremely difficult to judge what this means in practice. What is clear is that part of the change meant that there now had to be a re-emphasis on training of staff to deal with the customer focus.

Structural change in the industry led to changes in employees and the role of management. The most influential mechanisms promoting this change were advances in technology (Freathy and Sparkes, 1996). The ability to collect sales data through EPOS meant that store performance and thus individual performance would be monitored and controlled both continuously and effectively. At the other extreme, because retail was becoming sophisticated and technologically demanding, this led to the recruitment of graduate trainees. More professional management to cover a reduced number of store decisions, however, did not bode well for recruitment (Freathy and Sparkes, 1996). This rationalisation and specialisation led to a polarisation of the labour force (i.e. a small band of specialised managers and a large band of day labourers: Sparkes 1986)). In fact, a duality of employment has occurred, causing an almost complete break between management and sales floor staff (du Gay 1996).

Freathy (1996) looks at store roles in terms of segmentation theory and argues that there are three layers:

- Primary - management;
- Lower tier primary - supervisors; and
- Secondary - assistants.

In reality, this picture is too simplistic. As Marchington (1995) comments, a lot of the debate on segmentation neglects notions of power and we need to be aware of management’s motives for using part-time labour. It is too simplistic to assume that managers are just looking to produce secondary labour markets. It is only if part-time labour is explicitly cheaper that we can start to examine whether its status is peripheral. Part-time labour is not cheap labour per se for some
retailers but rather, a better means of utilising labour to cope with peak periods. It is one of many strategies available to them.

7.2 The organisation of PRP in Retail Co.

7.2.1 Retail Co.

At the end of the financial year 1996, Retail Co. had again performed strongly. According to the company, the continuing growth demonstrated the effectiveness of focused product ranges, competitive prices, quality customer service and attractive shopping environment.

Its profit improvement results from sustained application of our value based management approach, supported by retail information and analysis systems that are among the most advanced in the UK (Chief executive 1996).

According to The Economist (1997), Retail Co. sagged towards “mushy general retailing” in the 1970s/80s but was now reaping the rewards of steady growth, with return to shareholders in the past five years of 106%, comparable to Marks and Spencer. Retail Co’s. response to the increasing competition was to retreat into specialism. The company has made major changes to their retail organisation which has resulted in significant improvements in their performance. The heads of the nine major business divisions now enjoy considerable freedom which represents a break from the traditional, highly centralised, decision-making structure. Retail Co. account for two-thirds of group turnover and operating profits (Vander Weyer 1995).

Buying and merchandising have been reorganised into business centres based on product groups. This has enabled buyers/merchandisers to develop greater knowledge and expertise of their particular product groups. Store operations have undergone change. Operations management has been organised into large and small group stores. It was found that the problems in each were quite different and that more effective management was possible by this change
This process evolved slowly. The success of Retail Co. small store format, concentrating on health and beauty, was clearly evident by 1994. In September 1993, it was announced that the small stores chain would be increased by 240 stores over the next few years at a cost of £75 million (Cosmetics international 1994). They also piloted small stores within some Sainsbury food stores. In 1995, the change was completed in a major review of all store operations. Forty four large outlets were moved to the small store sector while 17 others transferred to new areas altogether (Chemist and Druggist 1995). In April when the changes came into effect the large stores numbered 172 and the small stores 989. Both groups had similar turnovers of around £1.5 billion. By 1997, Retail Co. had 1,260 stores, 160 of which had been opened in the last four years, and they planned to open another 80. Space productivity has been improved by the operation of programmes to increase efficiency. Investment by Retail Co. into marketing, systems and store refurbishment is continuing.

Operating efficiency has also been improved by the installation of EPOS throughout the chain of 1,260 stores. This was expected to result in a stock reduction of some 20% over 1993-94, some £50 to £60 million less in working capital. The EPOS facility was also expected to improve staff scheduling so that it would be easier to meet the pattern of demand in the stores. A change in the balance of full-time to part-time staff is expected. A one per cent reduction in staff costs would result in a saving of £270 million. Improved gross margin performance as resulted from a revised product mix. Direct product productivity (DPP) control of 42,000 lines as also increased gross margins. DPP has facilitated range decisions by store location and store size. The sophistication of the information system provides information on price sensitivity which is particularly important for own label products. Sales of seasonal lines are tracked and adjusted. The information system provides for rapid replacement of fast moving lines and customer transactions are increased by cross promotions (e.g. films and sun tan oil (Walters and Laffy 1996)). According to the Retail Co. in-house magazine, in 1996 they had spent around £52 million on new systems including computer capabilities for stores and head office departments. It notes that the new
technology is already in 371 stores and was being rolled out at the rate of 12 stores per week (Blueprint, August 1996). The company had been putting huge resources into its computer facilities, and as well as adopting electronic processing for their purchasing orders and invoicing, they were also planning to use electronic mail to improve efficiency and quality (Asia sources electronics, 1996). Retail Co. continued to lead other retailers in the use of information technology. A project (Sunrise) introduced in 1995 used computer technology to target information to the right people at the right time. Staff planning functions, training programmes, electronic mail and many other applications were all geared to minimise the time staff spend in routine activities and to free them for more time to help customers (Annual report 1996:7).

These developments have also been paralleled by specialist retailing activities such as health and beauty, opticians and photographic processing. Retail Co. have a third of the £8 billion market for health and beauty products which more than four times that of its nearest rival (The Economist 1997).

The secret of their success, according to Vander Weyer (1995), is a rare combination of long-established traditions and state of the art management techniques. Their strategy is as follows:

Maintain a high level of investment, focused on our existing operations and directed to maximising long term value. Increasing focus on core business is a common theme across the group. Retail Co. is concentrating space and product development effort on healthcare and beauty products (Annual report 1996).

Their activities have been governed by a simple but powerful set of ideas. At all levels, from strategy down to product changes, it adheres to the principle of 'value based management' which decrees that something is only worth doing if it creates additional value for shareholders (i.e. if it generates a long term return in access of cost of capital).
Ultimately value has been measured not by simple earnings per share but by the accumulation of gross dividends and growth in share price. The key to extracting value is maximisation of long-term cash flows. This is an attempt, according to some, which is not designed to hold the attention of City analysts.

These results were traceable to two decisions in Retail Co.’s recent history (Vander Weyer 1995). The appointment of a new chief executive in October 1987 and the purchase of a rival group in 1989. Their success also owes a lot to their management style, notably personnel, which, according to Vander Weyer (1995), is imbued with a set of values which owe more than a little to the cost conscious, philanthropically-inclined founder, who died in 1931.

The importance of staff is highlighted by the company annual report:

Our emphasis on building value is evident. The value of our people continues to grow with their skills, knowledge, experience and dedication. It is no coincidence that our business won no less than three new investors in people awards during the year for the quality of their training and communication. Nor is it any coincidence that we can confidently put forward the expertise of our own store staff as key differentiators for our business. It is our people who build value and I am grateful to them for their achievements (Annual report, 1996).

Research carried out for Retail Co. clearly showed customers want service. For Retail Co. this means trained staff who can spend more time on the shopfloor. In 1995, Retail Co. invested heavily in building on staff’s existing skills. Every member of staff was trained in the ‘Retail Co. experience’ programme aimed at making sure that customers enjoy their shopping in the stores. Managers and their supervisory teams were being encouraged to take a more proactive leadership role (Annual Report 1996:7).

The ex-director of personnel, who had been with the company for many years, did not like the term ‘Human Resource’, insisting that “people are people with sensitivities - not cannon fodder” (Hawkesworth 1996). He realised that
there was a general feeling among staff that management no longer cared about staff and that aspects of the company were not like they used to be with regard to personnel matters. He insisted, however, that Retail Co. was in a different world now and if it wanted to remain competitive, then things would have to change. He argued that because of increasing competition, there was more pressure on people and that emerged in people’s minds as less caring, yet demanding organisations, with successful teams often being the most caring ones. He said that staff interests were of the utmost concern in the company’s decision-making. He noted that value-based management did not mean abandoning all other considerations. Shareholder value must embrace, both customer and staff value. Although the country as a whole is characterised by high job insecurity, at Retail Co. employment levels have been maintained. This meant disposing of some sections of the company but they have taken on new sections as well.

7.2.2 Retail Co.: Performance management

Retail Co’s. statement on remuneration in the annual report (1996) is as follows:

We are motivating staff throughout the organisation to recognise and build shareholder value. In all our business units bonus schemes are based on the achievement of targets related more closely than ever to value creation.

The company’s literature noted that they encouraged people to contribute and aimed to ensure that all individuals saw their targets linked to the wider business plan. The following are the five principles stated by the company literature:

1. Mutual agreement of contract to improve individual’s performance;
2. Consider the whole job - not do so might cause focus on some aspects at expense of others;
3. Define the job in terms of key responsibilities. i.e. the company’s definition of what are the key outputs of the job;
4. Define objectives in terms of what to do to meet the key responsibilities (KR)s; and
5. Performance is reviewed or assessed as ‘met’, ‘exceeded’, or ‘fell short’ of contract.

Performance contracts were to be utilised as a management tool, a new means of communicating and for influencing the way in which all staff contributed to the company’s success. In particular, the reorganisation of the company and the introduction of value-based management meant that the company were attempting to line everyone in the organisation behind its main objectives. This was part of a holistic view of how the management of performance should progress, and as part of this, the company desired to focus people on performance and away from the ‘going rate’ for the job.

The organisation of the Scheme: Performance criteria

Each employee within Performance Management is given a contract, although for store staff below supervisory level it took a slightly different form in that it was not formally called a contract. In order to manage the scheme, it was advised that each contract should have five to eight KRs in each job (in the case of store staff below supervisory levels, there are three standard KRs). Objectives cover areas within each KR, and good objectives must be SMART - Specific, Measurable, Achievable, Relevant and Timely.

To keep everyone concentrating on the whole job instead of particular objectives there is a design feature built into the performance management system. Breaking the job down into the KRs which then have their objectives within them means that, if people concentrate on one area, they would not meet their contract. Senior personnel said that this was a good feature and the fact that they have no evidence of staff concentrating on certain objectives to the detriment of other parts of the job is probably due to that design. Managers are told that they should review the contract throughout the year in order for it to work correctly, the idea being that the managers should be responsible.
Individuals are rated under one of the following three headings (figures for 1996 are added to give an example of the procedure).

**FALL SHORT**
- Individuals may fall below salary scale minimum if they receive this rating.
- No increase should be given. Only in exceptional circumstances.
- If the review is carried out later in the year and increase is awarded it must come out of the overall salary budget at the time.

**MET**
- Those low in salary scale should receive a greater increase than high in scale.
- The suggested increase is from 3% - high in scale and just met contract, to 3.75% for those who comfortably met and are below 105% in scale.
- To reach the top of scale an individual should be performing at a higher level than met.
- Above scale maximum - same as exceeded.

**EXCEED**
- Low in scale - should receive the greatest increase. e.g. Sales assistant below 105% of minimum 5% to 5.5%.
- High in scale - lesser increase as they are being rewarded relatively higher for the job e.g. above 115%, 3.5% suggested.
- Above the scale max. - Should have an increase no greater than 3% and it will be red circled next year.
- The scale maximum cannot be exceeded.
- When informing individuals of their award, the total salary relative to the scale should be given equal prominence to percentage increases.

Managers are provided with two copies of review sheets. One is for carrying out preliminary work. The other has to be returned to area office. Managers have to work out percentages, basics, merits and so forth to get to the total increase for each person. They then have to total these up and adjust awards until they get to the store increase of 3.5%. Area offices have been provided with a computer salary modelling system to enable them to review recommended
awards. It is advised that no communication should be made with staff until the area or district manager has confirmed that store proposals have been accepted.

### 7.2.3 Differences between large and small stores

There was great similarity in the different stores visited, as will become clear in the rest of the chapter. There were also some subtle differences which deserve a mention, however.

**Midland store**

Staff at the Midland store were very reluctant to open up and express their views. It was also necessary to talk to people in much more simplistic terms about PRP, than say, Bank Co. Importantly, a striking observation was the fact that the contract did not seem to mean that much to anyone.

**Northern store**

Staff were a little more relaxed here than at Midland store. They talked more freely about how they are watched, monitored, and the fiddles which took place. The scheme was used as part of the interview technique at this store. The personnel manager commented that they mentioned the scheme to prospective employees and if they did not show any enthusiasm for the scheme they were not considered to be the type of employee that Retail Co. were looking for. The new culture was also much more aggressive in that management were attempting to make a clear break from their traditional paternalistic style of management. It was not just conscientious hard working staff who were required, but rather, staff who did what the company required, when the company required it.

The store had been warned by area management about not awarding enough ‘fall shorts’. Management and supervisors were unhappy with this because it was seen as a poor reflection on themselves. Yet in attempting to apply it they made themselves appear even more harsh to employees.
Small stores

In the small stores, the emphasis was definitely on direct control, or what could be called 'direct paternalism'. Hierarchy was strict and a powerful force, with authority being passed from area to store managers. Employees were extremely wary of what they said and traditional small store management, who did not understand or agree with the new logic, were increasingly being replaced by young graduate trainees.

Headquarters

The HQ staff seemed to have far more to say than the store staff. They were far more confident and their jobs were also more fluid. Most new recruits were graduate trainees and seemed to expect rapid promotion within a year or two of starting the job, especially in the marketing department. Very few staff knew what grade they were on and did not seem to really care. It was easy to see why staff in these departments were on different salaries for the same jobs. Here wages reflected more the politics of recruitment and retention than performance.

7.3 The objectives of PRP and the management of objectives in Retail Co.

7.3.1 How the reward side works

The company said that it tried to give line management as much flexibility as possible so that when it came to the annual salary review, the final decision was theirs. Thus the guidelines are based on a number of aspects. First of all, the increase should take account of the individual's performance. Second, the company had got a rough idea of how many people are going to 'exceed', 'meet', and 'fall short' of contract. Further, it turns out that roughly 4% exceed, 4% fall short and the rest meet. Finally, there was just one increase and it was performance related. The organisation has now made it standard, after three years of getting there, that people who 'fall short' get no increase.

An example of the way in which managers were given advice on salary increases is as follows:
Exceeding contract = N+2%
Meeting contract = N
Falling short of contract = N-3%

The company would usually increase both salary scales and overnight increases for the annual paybill (where N equals 3% for 1996).

Senior personnel argued that for the company, the scheme was part of a holistic view as to how they manage people's performance and looking at all the issues around that. It was an opportunity to focus people on performance rather than the going rate.

When asked specifically what issue it was brought in to address, five main reasons were mentioned - motivation, change of culture, pay/performance link, to change the nature of the employment relationship and change the role of line management. Store managers also tended to mention most of these, but mainly placed the emphasis on controlling costs, signifying the pressures they were under to meet and manage budgets.

The company said that they chose PRP because the old type of merit scheme was not working. PRP was seen to be 'best practice' and what was going on in the rest of industry. They also said that it fitted well with other business objectives because at the same time, they were making their planning process more sophisticated. Thus, for the company to make a more direct link between pay and performance, it came at a good time, particularly going back to aspects that they wanted to change - the culture and line up all the arrows behind the organisational mission objectives. Store managers, on the other hand, tended to put the emphasis purely on the fact of increasing productivity and fitting in with the use of performance contracts. In terms of the organisational context, they commented that:
I think we did want to have more of a process that would put standards across what is a pretty diverse organisation. We have still got that in Retail Co. because some of the areas have still not gone onto the full process, most people have. It did enable us to put a much more consistent process across, including making us change our pay review (Senior personnel manager).

Store managers thought that it was much more of a pragmatic approach, believing that it was not really chosen to fit in with the culture.

I think it was a case of the company wanted PRP so we will have this. I don’t think it was a sophisticated decision” (store manager).

The company was aware that the scheme had its problems. The main constraints form the personnel point-of-view was the skills of line management to effectively assess and differentiate shades of performance. This was important to the company. They thought that managers were getting a bit better but the limits of the scheme were ‘squeezed’ because managers were not going to give one person a big proportion because the implication was that another person gets less. Again store managers tended to lean towards the practical problems. They thought that one of the biggest problems revolved around the fact that PRP was restricted to a maximum set of money in any one year. They also mentioned the time constraint due to heavy workloads.

### 7.3.2 Vagueness of objectives and lack of motivation

The fundamental part of the scheme, both in terms of performance and application, were to do with the setting and measurement of the targets and objectives - the contract. It is clear from most of the research into PRP that these schemes very rarely work in the way that they are purported to do (Marsden and French, 1997. Lewis, 1997). It is, therefore, extremely important to judge the stated aims against the practice to see where it is that the practice differs from the theory. Only then can one tell what the main effects of the schemes are and identify what they are really being used for. The first point with any scheme is to see whether employees actually understand what it is.
Most people thought ('thought' is emphasised because this is actually what employees said) that they had been informed about the scheme, but equally, many said that they did not understand it. In the light of the amount of time spent training staff, this is a very negative sign, especially with regard to the management and supervisory grades. The marketing department was particularly bad, with no one saying that the scheme had been formally explained to them.

Consistent with the rest of the findings of the research, staff were largely in favour of the principle of PRP. Out of the 80 formal interviews carried out with staff, only 11 people said that they did not really agree with the principle of PRP (Northern had a much larger proportion of people not agreeing with the principle than any other store). Yet again, very few people actually thought that the scheme worked in practice (nine). However, some staff did express the feeling that the scheme had improved over the last couple of years.

The reasons given for the scheme not working were as follows. Firstly, it was very much a case of people's relationships with senior members of staff. 'It depends on your supervisor, if your face fits, you get more' was an extremely common comment. Secondly, and most obvious, because the scheme was seen to be judged mainly on whether you get on with your supervisor or not, it was also seen not to relate to performance in any way. A common complaint was that there were problems in the way that the scheme was monitored, with the performance criteria not being defined adequately. Thirdly, despite the anomalies demonstrated over the first two issues, staff viewed the scheme as being over-regulated. There were rules and regulations, objectives and targets, but little understanding of how the process worked.

7.3.3 Pay

The pay side threw even further confusion on the scheme. The fact that there was little consistency led staff to comment that 'The scheme depends entirely on management and the way that they use the salary budget'. Again, similar to Bank Co., the sums of money actually involved were seen as irrelevant
and paltry. Staff became upset, not by the amount, but rather, by how the whole process worked and money was shared out.

'It’s only right and proper that there should be devolved responsibility down to line management level. It encourages dialogue with the staff and helps to reduce poor performance. The problem is with the inconsistencies, even within a functional area never mind the company as a whole' (HQ).

There were anomalies, largely brought about by changing structures which had left many jobs not fitting comfortably with the existing grading structure. A lot of these problems arose largely due to the fact that the pay system within Retail Co. was a very secretive affair. Even many of the store staff said ‘we are not allowed to talk about pay. They are afraid that people will find out the inconsistencies’. Staff were also well aware that the company was working to a predetermined distribution even though they were not informed of this by the company. The whole process, as one manager described it, largely depended on management’s ability to set good contracts. Yet again, staff felt very much that the system could be abused.

‘We set the goals and they always say that the targets are achievable, but the goal posts move’.

This was a crucial point. It was not so much hard work but how they did it and what they did. Because of these kinds of anomalies, the scheme threw up all kind of problems on the pay side, with many staff saying that you never really knew what you had to do to achieve anything.

This fed into the actual aims and objective of the scheme from the company point of view, which was to line everyone in the organisation behind the key objectives of the business. Store managers tended to be more practical and say that the main aims were matters such as customer care and trying to standardise the objective-setting process to fit in with the store action plan which was considered to be full of jargon and comprising no great detail. Another factor for store managers was that the goal posts were continually moving. Even from
the company to the managers, the message became distorted by the everyday realities and priorities of store life. By the time they got to the average store worker, even more distortion had taken place. This can be highlighted by showing the broad nature of some of the standard key responsibilities for manager:

- Meet sales targets within agreed costs.
- Sustain the performance of the sales area by training, managing and developing a motivated workforce.
- Attain standard of customer service required.
- Conform with company policies, procedures and operating systems.
- Develop the business potential of the sales area.
- Deliver business centre marketing objectives.

Just under half (39) of interviewed staff said that they were aware of a link between their objectives and the wider business objectives. This is not a very good result for a scheme given that its main objective was to line everyone up behind the business plan and objectives of the group. What makes the result worse is that staff were only aware of the business objectives in as far as they were cascaded down to them. They had no awareness of what this meant at a higher level. This implied that if managers were not very good at this process, and from the above it is fair to assume that this is the case, then employees and supervisors had no way of knowing what it was they were supposed to be aiming for. This was reflected when asking employees what they thought the aims and objectives of the scheme were. Their replies revolved around six main points: to provide focus, save money, raise profits, monitor staff and deal with poor performers. All six are inter-related and it is worth going through each in more detail.

In relation to focus, staff actually welcomed the fact that it was better for them to know what is expected of them. They were quite in agreement that the company should be attempting to get the best out of staff and to correct things which were not being done. However, they did not always agree with the aspects that the company was trying to focus them on. Even some of the more senior
managers, who were given a wider picture of what the company were attempting to do, thought that there were ulterior motives:

I get a copy of my manager's performance contract and the one for the buying group. You get both the targets and the budgets which helps you to know what you are working to. But I think it is various other things - it's a management tool, to see who fell short, and an official document to use against staff and to standardise jobs.

It is interesting to note that as part of the focus, many staff thought that jobs were being standardised. The focus for many was on a standardised element which they failed to link to wider objectives. Instead, they just linked it to the second factor - Save money and increase profits. Although they thought that there was job standardisation, they also felt that they were doing more work and to do more meant that they needed fewer people. This, in turn, meant that the company saved money. They thought that the company used the scheme to stop them giving money away to those who did not deserve it, thus providing an incentive to others.

On a more negative side, however, they usually went back to talking about the 'pot' and 'do you moan about 3% or risk being with no job?'. For many, the focus and saving money was all to do with effort.

It's to get more work out of you and pick up on the things that you have done wrong. You are made to feel that you have never done enough.

They also said that the new ideas from the company were coming so rapidly now that they have trouble keeping up with them. 'It's all right saying we have computer systems to deal with it all, computers are all right until they go wrong'. Staff certainly felt that they were being set too many objectives. Related to getting staff to put more effort into the right things was also dealing with those members of staff who were not doing so - Poor performers.

It's easy to weed out the poor performers with this scheme.
Managers said that they needed to get the right people into the right jobs. Many said that they had had to change staff who had worked for them for a long time because they were not the right kind of staff any more. Getting more effort out of staff and weeding out poor performers, however, also meant that one had to be monitoring what they were doing. Staff said 'it keeps a regular check on you. New systems always mean more work or less staff'. Similarly, management mentioned ‘It’s to make you more accountable to monitoring performance and you can use it on the disciplinary route’.

Staff felt that there were some problems with the aims and objectives, however. Particularly, they felt that they did not always have the time, or the opportunity, to meet all of the objectives. They said that if they were working on the counter they did not have time to do things like make a sales link, which you would be able to do working on the floor. For achieving these kinds of targets, staff received incentives of one sort or another, including raffle tickets for the sales links. They also stated that there is always someone trying to find fault with what they have done rather than providing them with the right kind of objectives.

I can see what they are trying to do but sometimes it is the things that you don’t do which may be a good decision. But that wouldn’t be measurable.

Instead, most concentration was on the competitive sales techniques for which they received raffle tickets. At the end of the month, the tickets would be drawn for prizes. Mangers commented:

Customer comments get rewarded with raffle tickets, that way we know who the best performers are.

7.4 The politics of PRP in Retail Co.

The culture of Retail co. had always been one of strong paternalism up until the mid-1980s. It stemmed from the Methodist background of its founder. The company had always been a ‘family firm’ with strong Protestant work ethic.
values. All this was to change in the mid-1980s, originally taking the form of cost
cutting of welfare and other staff costs, including the numbers of staff employed.
This was a first for many of the long-serving employees at the company. As
mentioned earlier, however, the position somewhat reversed later in the early
1990s when the emphasis was put on providing customer service. Although good
quality staff were now the order of the day, there was still an element of utilising
staff in the best way possible. This meant a combination of matching staff with
peak periods and downsizing.

Control, especially in the stores, had always been very much of a direct
nature which tended to make staff very reliant on their supervisors. Supervisors
were in constant contact, watching staff throughout the day. They walked around,
observing what staff were doing in the most extremes of ways. I actually
observed many supervisors walking close to members of staff and starting to sort
out shelves almost next to the ones on which the members of staff were working.
One member of staff commented that:

it is a them and us attitude. They use the scheme to keep staff stressed and
working harder.

In fact, on several occasions when interviewing staff on the sales floor,
supervisors came within feet of us and started the same ritual. This was despite
the fact that all had been informed about the research taking place. This ritual
obviously made staff feel totally uneasy and was obviously a form of behaviour
that supervisors passed on to each other implicitly. When one supervisor was
questioned about the behaviour, she was genuinely surprised and said that she was
just checking the shelves. The behaviour occurred too frequently and in different
stores for it to be a coincidence, however.

Bureaucratic control had also been present in the company for some time
but this was mainly aimed at providing rules for behaviours, while direct control
was aimed at securing compliance. The 1980s and 1990s had seen a rapid growth
in technical types of control and all these various elements of control had been
integrated into the Performance Management system. The technical control had
also made the standardisation of store work more possible. With the standardisation of roles, the company also began to utilise routines in terms of training staff in ways in which they should approach and respond to customers. Routinisation was aimed at providing a minimal level of acceptable work performance. However, as Leidner (1996) argues, these routines aimed at keeping the less competent or dependable workers from undermining organisational standards can also prevent the better workers from using their talents and common sense to meet the demands of particular situations.

The move to quality service in the 1990s meant that workers had to be controlled in other ways which gave them some amount of leeway to use their personal skills while at the same time complying with company standards. As Leidner (1996) points out, this leads to a three-way control system which involves employees, employers and customers. Each can be used by the other in the battle for control. This meant, however, a different kind of management than previously - the performance management system as a management tool.

7.4.1 Management tool

The company clearly saw the scheme as a tool for getting managers to manage and for ‘lining everyone up behind the key priorities’. Store managers themselves also saw it as a means of dealing with theirs and supervisors skills. Restructuring the way that they dealt with peers and subordinates was very important. In the company, some jobs had been reorganised so that the title ‘consultant’ now signified a senior salesperson who was a specialist in particular product ranges. This person was the head of a minute speciality such as cosmetic (brand name), perfumes, baby goods, hair care, photography and so on. These people were very much encouraged to view their own little section as their own business and to treat it as such. While this implied a certain amount of status for the person, it also made the job more controllable from the company’s point-of-view. Lower down, on the sales force side, jobs had also been reorganised so that the sales assistants spent more time on the shopfloor with the customers. Their previous role had been split into two so that their stock duties were now carried
out by a person in a separate position - the sales support assistant. This split proved useful in two ways. Firstly, it allowed sales staff to be present in the store all day instead of fetching stock from the storeroom. Secondly, it allowed the company to put those staff who they deemed to be less suitable with customers into the sales support roles who now had much less contact with the shopfloor.

Why, then, if there was such close supervision should the company need another mode of control? The answer may lie not just with employees *per se* but also with the role of managers. Again, the company were clearly very keen for managers to take hold of the whole process as part of the new culture of creating value. This meant that managers were required to manage in a totally new way to that to which they were accustomed. In a way, they were to take more control over the management of performance whilst at the same time giving or portraying to employees some autonomy over the contract setting process. They therefore had dual pressures acting upon them - the added pressure of more responsibility and more self-monitoring.

Most employees did say that they thought the scheme was being used as a management tool. Many recognised the fact that it was only a tool in that it standardised the way the staff were expected to work. They said that, because it clearly documented what was expected of a person and was very useful for measuring that person against it, it made it much easier to set standards. They thought that if managers and supervisors got together to set standards, it would become useful for managing everyone with. It was also seen as a time for finding out what individuals were really like. One could say that it was a reinforcement of the surveillance already carried out by supervisors (i.e. not only knowing what employees are doing but knowing their minds as well).

### 7.4.2 Contracts

Contracts were also an integral part of the performance management scheme. For store assistants, it was less of a contract and more of a reinforcement of the way they should work and the products that they should sell.
As well as objectives within their contracts, staff were given other sales related targets on a regular basis. To most staff, the ‘Blue cards’ were more important than their other objectives. These were publicised in league tables so that staff could see how well everyone else had performed. Figures were put up on the notice boards and staff were involved in all kinds of competitions. Staff said that a lot of the selling techniques were not based on customer service but actually upon hard selling. Specific training was, in fact, aimed at selling to the customer. It was based on the fact that if one said certain things to the customer it would make him or her more amenable to buying items or goods. The ‘Retail Co. experience’ - a customer service training scheme - was all about smiling in certain ways and repeating words back to the customer. Staff were observed by supervisors to see if they followed it and the company also employed mystery shoppers to check on staff. Most staff said how ridiculous it was and how most customers thought that they were an idiot for repeating their words. They were also encouraged to ‘link sell’ and ‘catch a browser’. These were all hard sell techniques which, along with the blue card, enforced sales against the customer. Staff were even given targets to go around other business rivals to check on what they were doing.

One target I had was to go around other businesses (i.e. competing firms), that was too much. If they did it again I wouldn’t agree. So you don’t always know what you are agreeing to in the contract.

Although contracts were supposed to be agreed, staff and managers said that they were largely standardised (cf. Hudson and Evans, 1994) and that any ideas that they had were just put on top of the standard ones. Many said that additional objectives were aimed at what the company perceived to be one’s weaknesses. Most staff were very adamant, however, that one did not question supervisors or managers as it might lead to either ‘your face not fitting’ in the future or petty vindictiveness.
7.3.3 Surveillance: measurement and monitoring.

Central personnel said that they had lost quite a few managers and staff that were under-performing because the focus had been much clearer and there are fewer hiding places for people. From that point-of-view, productivity had probably improved. At the same time, they did not think that they could put their hand on their heart and say, 'here are some hard measures of performance'.

Feelings of being watched or monitored was a common experience for most store staff so it is not surprising that not so many of them thought that the scheme had made this situation more intense. Surprisingly, however, it was mainly the HQ functions which thought that they were being monitored and measured more through the PRP scheme. By contrast, it was those stores where monitoring was most extreme in the past whose staff were least likely to feel that PRP was intensifying this situation. Staff said that they were watched and monitored all the time but one did not get told straight away. It was the negative approach.

If it's messy behind the counter the supervisor will say, well you have fallen short today, and it puts everyone in a foul mood.

Here, it is highlighted that supervisors could use the targets as a lever for punishment for non-compliance. Compliance of 'what to do' was reinforced through the blue cards:

We get given a monthly card now to put things on, then we give it to the supervisor for assessment so she knows what we have achieved.

To provide evidence to supervisors, for some, was, however, seen to be telling the supervisor that they were wrong. There were not many who were prepared to cross the supervisor. The pressure of direct supervision was highlighted even more clearly when talking to supervisors:

I have a confidential file to remember what staff have done.
One supervisor admitted that she directly monitored staff:

the scheme allows us to do that, sort out the wheat from the chaff, put round pegs in round holes. It shows up the problem areas and gets you closer to staff.

Supervisors tended to say that they spent most of their time monitoring to gain more visual evidence of what staff were doing. Management said similar things in that 'It encourages managers to manage better but it is difficult to say whether it is the scheme or the standards'.

It seems fair to say that most of the store staff were monitored in a child-like fashion. They felt that they had to ask the supervisors before they do a thing. This is not to say that employees are 'trodden on'. Rather, it is more of a state of mind. These workers are capable and usually become the controllers rather than the controlled when given promotion. Rather than challenging the behaviour which they did not like applied to themselves, it was almost as though staff felt that they had to behave in the same way so as to achieve the promotion.

7.4.4 Resistance: Playing the game and rules

In many studies of the labour process, it is assumed that employees are the unknowing recipients of capitalist destiny. Yet we know from other studies that the production process is riddled with examples of employees resisting the logic of the capitalist process. Staff at Retail Co. obviously had ways of circumventing some of the above factors.

There were obviously some staff who thought that under no circumstances could they 'get one over' on the company. These people thought they were being observed at all times.

There is room for fiddling, but its not worth it in the long run. I've thought about changing the figures but I have never done it because if I got caught there would be trouble.
Some managers and supervisors were sure that they saw everything while others felt that the issue was not so clear-cut.

This is a line management issue. Management have to make some rules to make sure the rules are not bent. But it's inevitable with the different levels of skill that some people will get away with it.

Finally, there were a very large proportion of staff who knew that, at one level or another, there were ways of getting around the rules at several stages within the process. Staff learnt the rules of the game at four different levels. Firstly, with objective setting:

It is in my interest to set something which I can meet or exceed. It's down to negotiations and it's a matter of trying to take control of the target setting process.

Secondly, with objective meetings, staff said that there was nothing to stop one putting such things as 'customer browsing' down. Thirdly, at the reviews process:

They make a visit to the office on purpose to tell them what they have done - to get their face known.

Finally, there was learning to provide proof: Members of staff said that there was nothing to stop two people getting together and saying that a customer had given them a compliment or confirming 'catching a browser'.

7.5 Conclusion: Control and effort levels

Shop workers have a long history of 'paternalism'. There is a tradition of 'living in' whereby staff were, at best, an extended part of the family and, at worst, paid slaves. The growth of the multiple stores, which to a large extent were usually owned by those with strong religious beliefs, brought with it a growth in welfarism and benevolence towards those who showed that they were sober and willing to tow the company line. Marks and Spencer, Burton's, Boots and John
Lewis are all examples. All shared a duty to imbue staff with certain moral standards. Despite the fact that most of these types of companies are large MNCs, their historical legacy lives on.

At Retail Co. in the past staff have been expected to behave in certain ways, to dress in a particular fashion and to express the kinds of values that the company expected from its staff so as to provide a particular kind of service for its customers. In return, they were encouraged to conform by being offered good fringe benefits, good wages, job security and a feeling that they were part of the family. All this was dependent on performing in the way required. Now, the ways in which store staff are expected to perform have changed. Combined with rapid technological change, this has meant that the company is in a much better position to control certain elements of the employment relationship. Because technology now measures sales, it must also feel that it is in a much better position to measure how well staff do and the ways in which they achieve objectives. This is a fatal error, however, because it assumes that the system is measuring the right (and most important) aspects, when, in fact, it is not doing so.

The control in stores was found to be hierarchical. This was as much to do with status as it was with skill. In fact, skill in supervisory work was 'the control'. The assistant supervisor learnt her trade under the wing of, and while deputising for, the supervisor. The supervisors always had, to some degree, deputised for the managers although this was becoming less common in large stores with the polarisation taking place between management and the rest due to the recruitment of graduate trainees. The skills of supervisory role were implicit skills, passed on through the observation of behaviours.

The old method of control relied on observing staff in terms of behaviours but left the selling technique to staff. In the new method, the behaviours were set in the contract and supervisors observe staff in the way they sell. Yet when supervisors are left to deal with behaviour and appearance, the emphasis is really on 'pleasing' the customer. Now, however, the emphasis is supposed to be on the
customer: Staff deal with behaviours and appearance, and supervisors make sure they 'hard' sell. This is, in some ways, having the opposite effect, however.

Service work is largely about behaviours, and indeed is, more so than many other kinds of work. In contractual employment, the more rationally organised, the more its outcomes are defined and fixed whereas in service activities, outcomes are more likely to be achieved, the less means and ends are specified in detail. Thus as Offe (1985) argues, service work is always at the intersection of two rationalities:

1. contractual employment, which entails detailed specification of means and ends and close direct vertical control over work activities and a high degree of standardisation, and
2. rationality of mediation and conciliation typical of service activities (i.e. respond as service to specific situations).

Because there is a contradiction between these two elements, when under intense competition, companies tend to undertake two strategies: they have to standardise customer expectations towards their products which may be difficult for any one company to do or they have to standardise employee behaviours to deal with the customers in the way in which research and data show customers might best respond. The problem with this is that the company always addresses the average customer and the average worker who, by the very nature of things, are less likely to be problematic anyway. This leaves the very people one wants to standardise as those who are the least likely to respond.

The type of control most prevalent in Retail Co. was to do with accountability and responsibility. Staff were expected to be responsible for their own actions. For example, they were given a mini section of the store to run and they were accountable for the way in which it succeeded. This was not the same kind of responsible autonomy as Friedman’s (1977), however, because responsible autonomy for Friedman is granted when workers are powerful and leads to
genuine discretion. Empowerment did not figure at all, but this is not to say that staff did not enjoy some elements of it. It conferred status upon them which otherwise would not be there.

In trying to make staff more accountable, Retail Co are trying to standardise tacit knowledge of ways to deal with customers. Direct control, bureaucratic and technical control (Friedman, 1977; Edwards 1979) are not always enough for service workers when dealing with service interactions nowadays. du Gay (1996) argues that the battle to capture customers’ hearts and minds has meant a switch to cultural forms of control - a switch from direct control to entrepreneurialism and self-regulation. In Retail Co the change was not so simple, however, and many different forms were being utilised together. For example, there is a problematic when dealing with interactive sales work in that there are at least three parties involved (company, customer and employee). Making staff accountable not only relies on control by the company but also turning to consumer control or management by consumer (Fuller and Smith, 1991) in which consumers and the company, in the form of mystery shoppers, combine to monitor staff performance. At the same time, the company was using products and the employee to control the customer. This meant that the interaction between the old style of service and the new was difficult. The old style of service interaction was based on the employee being in control of the knowledge in order to attract the customer whereas the new was based on attempts by the HQ to gain control over the whole process to make it more predictable.

Whatever the style of service, employees could resist or consent to behaviour which benefited themselves, the company, the customer or any combination of these. This meant that the company’s search for control entailed not just the choice of one single mode of control but many (Fuller and Smith 1991; Hochshchild 1983; Leidner 1996). In fact, they made choices which entailed a ‘control cocktail’. It is true that technical change within retail has made the flavour of the cocktail more palatable to employers and this has enabled employers to standardise what are notoriously difficult jobs to standardise.
Standardisation implies some element of a measurement factor and this is where performance management comes in. Once something can be measured, it can then be utilised to change the effort standard of the job. Performance management is a bridging point. It brings together standards and employees’ own definitions of labour power into a neat contract. This does not mean, however, that the contract is accurate or safe proof. Employees are resilient in defining new standards themselves - with change comes new means of resistance. Further, the fact that the company was attempting to do so many things while, at the same time, standardise processes meant that this transferred in practical terms to objectives which became extremely vague, producing increasing uncertainty over what the actual goals were.

Diagram: Types of control in retail Co.

In attempting to conceptualise control systems in Retail Co. the following diagram below was constructed. The three main categories of control are shown in bold. The flow direction shows that direct control and bureaucratic control were integral parts of the growth of paternalistic control within the company.
Standardisation, on the other hand, was only possible once technical control was combined with the other two.

Once all three were in place it allowed other elements of control to combine with the main three. The performance management system allows the co-ordination of all these systems of control into one controllable entity. Consumer, emotional, accountable and contract control are elements which are linked to the other three via the performance management system. This is not to say that control evolves from one stage to the other, but various elements of control allow one to move onto other elements. Taylorisation of mass production allowed certain techniques of control to progress, as did the Taylorisation of retail. Different retailers may chose different combinations of control depending on their own socio, political and economic circumstances.
CHAPTER EIGHT

ENGINEERING Co.

8.0 Introduction

The scheme in the engineering company highlights the complexities of negotiating a scheme whilst surrounded by rapidly changing structures, pressures and policy towards different groups and their employees were rapidly changing. It highlights how the original rationale for a scheme was quickly distorted and changed to fit with the newer goals and rhetoric. The scheme was very different from the first two case studies in that there was far more involvement from the union side in agreeing the scheme. Therefore, what each of the main parties saw as the important factors were examined before looking at the scheme and the elements of control and consent involved. This scheme did not involve the setting of objectives. Instead it revolved around behaviours used in carrying out the job, yet it was non the less vague in its purpose.

Engineering Co. is the maintenance department of the manufacturing division of one of Britain’s largest chains of highstreet stores - manufacturing division. Manufacturing division produces toiletries, cosmetics and medicines for several leading European and British retailers as well as making items for the other retail groups in the company (Retail Co being the main customer). With over 4,000 lines on its product list, Manufacturing division claims to be the UK's largest contract producer in the above mentioned sector. It has five main factories employing around 2,500 people. It also has a substantial development laboratory, helping the company to develop an estimated 800 new products every year. The division handles ‘a very large inventory...The flexibility of our equipment is critical in ensuring we get things right first time,’ (Cosmetics international).
Thus, Manufacturing division is in the unusual position of manufacturing low-price items for own-label clients while operating as the manufacturing subsidiary of a major high street retailer.

Retail price battles obviously have a knock-on effect for manufacturers, in the form of extra pressure on cost and/or quality. But Manufacturing division is a completely separate business unit within the Main Group. We operate an 'arms length' relationship with Retail Co. and our other internal customers. In this way we can ensure we are customer-focused, and offer a full and equal service to our external and internal customers. (Annual Report 1996)

8.1 Engineering workers

Traditional engineering and related skills have taken what can only be described as an 'ideological bashing', mainly stemming from the early Thatcherite governments insistence that the manufacturing industries were no longer important as a source of national wealth. Combined with this was the fact that the traditional manufacturing industries which were also the stronghold of the engineering unions, were one of the main targets that the government was determined to crush. In no small way, this debate was also fuelled by Piore and Sabel's (1984) insistence that the growth of flexible specialisation was bringing with it a new type of entrepreneurial craft engineering in which 'small was beautiful'

As Blyton (1995) notes, the higher proportion of craft skills in engineering, compared to other branches of manufacturing, and the traditional strength of craft unionism in the UK, have resulted in workers' job controls being comparatively strong in the industry. This is particularly true in relation to aspects of work organisation such as job boundaries (demarcation), labour deployment (manning levels) and job hierarchies. It was precisely this strength that the conservative government was determined to break in its search for completely flexible labour markets. The traditional strengths of these job hierarchies, coupled with
weakened union power during the 1980s and 1990s, has resulted in a growing employer offensive against workers' job control (Blyton 1995).

A good example was the tendency in collective agreements over flexibility issues to focus primarily on the question of job demarcation and labour deployment to a greater extent than other potential sources such as working time. Blyton also supports his argument by referring to Marsden and Thompson (1990), who highlighted that out of 56 agreements, labour deployment was mentioned in 37, skill demarcation in 23 and grading in 20. Only 10 mentioned issues such as working time. A similar pattern emerged over negotiations for shorter working week(s). Agreements placed more emphasis on task flexibility (i.e., production workers undertaking broader ranges of tasks and minor maintenance). The general picture is one of many managers identifying task related flexibility as more easily achieved and/or a more proactive source of flexibility, efficiency and lower costs than greater flexible working time (Blyton 1995).

8.2 The organisation of PRP in Engineering Co.

8.2.1 Engineering Co.

Competitive pressures on the division have led to what is an already rapidly changing structures of the engineering group itself. Primarily, the type of engineer that is being discussed are craftspeople and not design or project engineers, although they are present within the group but fall under slightly different pay arrangements. The structure of the engineering department has been changing rapidly over the last 15 years as the company itself has struggled to find a divisional structure to which it is best suited. This means that, although engineers have remained one group for the purposes of management and collective bargaining, they have come under the auspices of several divisions before arriving at the position they are at now. In the manufacturing division they have remained a single group but have become much more integrated within the different components of the division as an whole. Importantly for budgetary purposes, they now fall under what ever department they are located in. They still, however,
remain under different terms and conditions of employment to those of the production workers that they work alongside. One could say that they are being more closely integrated into the staff structures than production workers. This is largely because the skill levels of engineers are seen as more closely aligned to that of some managers, than others on the shopfloor. Although there has been some resistance, especially from the managers themselves.

Engineering skills have not just been the recipients of changing infrastructure, however. Their skills have also been affected by management’s search for better labour utilisation in the form of flexibility and cost reductions. This has affected the traditional demarcation lines of engineering workers as management have sought to gain more control over the labour process. For some engineers in industries such as mass and batch production, this may have meant a Taylorisation of the work process for skilled workers, sometimes based on the technological developments. Yet in maintenance engineering jobs are mostly of a one-off nature so cannot be reduced to a particular tasks or division of labour

Nonetheless, the search for flexibility brought about a change in the way that management viewed the engineering department as a service. In 1979, there were nearly 600 engineers servicing the various sites and taking on large as well as small jobs. By 1992, there were just 400 engineers, and by 1996 only 300. Further, most, if not all, of the large jobs were being put out to contract. This left pure maintenance and specialist jobs to be carried out by engineers. To some extent, this not only meant retaining skills but also being flexible enough to take on some new ones.

In most cases this did not mean complete multi-skilling but instead, the taking on of skills which were additions to core skills. In some jobs such as the maintenance of production lines, it meant a completely different job or becoming a mechanic/electrician to deal with the challenges of some of the new machinery while, at the same time, not needing all the previous skills. In these cases, jobs were renamed as technician roles.
It has not been easy to distinguish whether this was, in fact, deskilling or reskilling. It is probably more accurate to say that bits of both were occurring depending not only on the job but also on which department a worker belonged to, some departments being more technologically advanced than others. What can be said for certain is that this gave management more autonomy over defining jobs, by destroying existing demarcation lines. At the same time, however, it has to be remembered that the benefits were not all uni-directional. Many engineers received better pay and status from these changes, and for some, jobs became largely more secure as they became more job-specific. Further, jobs which had already expanded over and above the existing job descriptions and which could not be recognised under the old job evaluation scheme, were now being re-evaluated as employees learnt the new rules of the scheme.

8.2.2 Trade Unions and Collective Bargaining

Since the early 1970s the company have negotiated with the Engineering Joint Shop Stewards Committee (JSSC), consisting of shop stewards from the Transport and workers union (TGWU), UCATT, the Amalgamated engineering and electricians union (AEEU) and the Manufacturing, scientific and finance union (MSF) craft sector. These cover all skilled and unskilled engineering workers. Since the introduction of PRP in 1993 the JSSC have given up their role in the Joint Negotiating Committee which has now been re-named the Joint Consultative Committee. This means that its role in the negotiation of pay has been much reduced to that of discussing the overall pay pot and does not extend to negotiating over other issues.

8.2.3 The Engineers

The engineering group have been part of the company since the turn of the century. They cover the maintenance of all manufacturing plant and warehouses in the UK. Until 1989, the engineering group were split into three main functional sections: production, retail, and engineering group services. All three sections were responsible to the Director of Engineering. Since 1989, when the company
underwent a restructuring exercise towards product-based divisions, the sections have been split further and are now responsible (especially in financial terms) to the respective divisions of the company although the Director of Engineering has retained overall responsibility for the day-to-day running of the group. The group has been split between six separate groups which came under the pharmaceutical division for administration purposes. In 1995, the pharmaceutical division was sold and the engineering group was transferred to the manufacturing division of the company, with the exception of the pharmaceutical engineers who became employees of the new company. The trades used are more varied and include electricians, garage mechanics, pipe-fitters, tinsmiths, fitters, millwrights, joiners, painters, plumbers, welders, bricklayers, riggers, power-house operators, locksmiths, storemen and general helpers.

Since 1989, after four years of negotiation and the introduction of changes in the job evaluation scheme to incorporate what the company call 'job enhancement', each section now has several multi-skilled workers. Management regularly states that they want to move towards a smaller, flexible and highly-paid workforce. The enhancement of the old scheme caused distortion and problems for both management and employees. For management, the problem was that everyone used existing job overlaps which had been previously protected by demarcation to gain extra gradings. Thus, the scheme became 'top heavy'. For some employees, the old scheme was not able to accommodate changes to their jobs in terms of additional reward (i.e. the skill hierarchies written into the formal rules did not allow it).

8.2.4 Management styles

The management styles of the company have evolved over time. The original management style of the company can best be described as that of 'sophisticated paternalists' (Purcell and Sisson 1983). This is best described as a unitary approach toward employees, with the exception that it does not take for granted that employees accept company objectives or legitimise management decision-making. They, therefore, spend considerable time and resources in
ensuring employees have the right approach. To this end, personnel policies are used to ensure that individual aspirations are mostly satisfied and collective bargaining is seen as unnecessary (Purcell and Sisson 1983). This was probably a direct influence of the original founder himself, but from in the early 1970s, a transition was made to the style of the ‘consultative’ element of the ‘sophisticated moderns’. This is a more pluralist outlook, trade unions are recognised and collective bargaining is well developed with the emphasis on co-operation. Purcell and Sisson argue that the two styles differ significantly in approach, yet many of the characteristics of the sophisticated paternalist style still remain to this day, thus highlighting Edwards’ (1987) point that it is difficult to establish one particular management style.

The above portrays the overall company style, but within the enterprise individual managers may well have their own idea of management style. As Purcell and Sisson (1983: 113) note whilst looking at Fox’s (1991) ‘frames of reference’, ‘many industrial relations specialists may be pluralist in nature, but the vast majority of managers are more likely to incline towards the unitary position’. This would aptly describe many of the managers within Engineering Co.

It is also worth noting that as the 1980s have progressed, management have subtly sought to push the trade union role further towards the margins of collective bargaining. The 1990s have seen proposals which largely remove the trade unions from their role in the collective bargaining arena, and push them towards the margins of joint consultation and a role as disciplinarians (i.e. used mainly as a safety net in grievance and disciplinary cases). The emphasis is much more on individuals than collectivities, a move which is again likely to be represented by the sophisticated paternalist style once again. Yet these changes are very slow and cautious, a reaction which suggests that management are not yet sure of which position will best serve their needs. It also highlights the difficulties of utilising management styles. Management, while concentrating on individualism have also introduced empowerment and teamwork in a bid to increase productivity.
8.2.5 Engineering PRP

With the new scheme jobs are evaluated using a Hay (job evaluation) scheme and are scored on the basis of the following criteria: Know How, Problem Solving and Accountability. Jobs are then given a total score and each score is given a mid point, a minimum and maximum level which in the case of the engineers were plus and minus 10% of the mid-point. The engineers’ increase in salary is then determined, in the future tense, by the appraisal process. It is interesting to note that just as the engineers moved on to a similar scheme to that of management, the managers moved on to a performance management scheme and a banding system in which jobs fall within grade bands rather than score bands.

The company states that the appraisal is a means of:

- facilitating discussion on performance,
- encouraging feedback, praising good performance and helping underperformers improve,
- involving staff in key performance factors,
- acknowledging career aspirations and providing motivation, and
- providing reward for improved levels of performance.

The stated objectives of the company in the appraisal are to:

- identify the training needs of individuals,
- recognise individuals and their aspirations,
- encourage better identification and achievement of objectives, and
- enable improved levels of performance to be rewarded.

The company makes special note that personal bias must not be allowed to affect an objective measurement of performance, and for the appraisal system to be completely effective, performance must be measured continually.
Communication and feedback are seen as aids to building a good relationship between the manager and the team and to improving overall performance. Employees are appraised once per annum, with a further review of progress at least once per year. The scheme states, however, that dialogue should take place on a regular basis for the scheme to be effective.

Performance is assessed via key performance factors (KPF’s) such as approach to work, standard/quality of work, problem solving, initiative and attitude to others. Each KPF is weighted depending on its importance to each specific job. Each appraiser must clearly define the performance factors and their relative weighting to each appraisee. The weightings can be high, medium or low. An example of how weightings would be reached for a window cleaning job is as follows;

<table>
<thead>
<tr>
<th>High</th>
<th>Medium</th>
<th>Low</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="window_cleaning_weightings.png" alt="High" /></td>
<td><img src="window_cleaning_weightings.png" alt="Medium" /></td>
<td><img src="window_cleaning_weightings.png" alt="Low" /></td>
</tr>
<tr>
<td><img src="window_cleaning_weightings.png" alt="Because" /></td>
<td><img src="window_cleaning_weightings.png" alt="Most important" /></td>
<td><img src="window_cleaning_weightings.png" alt="Relatively unimportant" /></td>
</tr>
<tr>
<td>Standard/Quality</td>
<td>Approach to work</td>
<td>Time scale may be important but need not be adhered to rigidly</td>
</tr>
<tr>
<td>Outcome expected from customer (i.e. clean windows)</td>
<td></td>
<td>Relatively unimportant to the window cleaners final product</td>
</tr>
</tbody>
</table>

Once the appraisal interview has taken place the individual has to be rated from A to D on the five key performance factors shown in the table overleaf. Once this has been completed, an overall rating of performance has to be awarded out of the following four categories:

A - Outstanding,
B - Superior,
C - Fully acceptable, and
D - Incomplete.
### Key performance factors

<table>
<thead>
<tr>
<th>Approach to work</th>
<th>A</th>
<th>Always uses resources effectively especially at times when excessive or urgent demands are placed on them. Plans well ahead.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Regularly sets self challenging work schedule and strives for improvement.</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Copes with work schedule, takes pride in the job and works to acceptable standard.</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>Leaves job unfinished. Little forward planning or organisation.</td>
</tr>
<tr>
<td>Standard/Quality of work</td>
<td>A</td>
<td>Exceptionally high standards of work produced to all work undertaken at all times.</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Always produces good quality work to a very high standard</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Generally produces work to a good standard</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>Tends to work untidily and unmethodologically producing unsatisfactory results.</td>
</tr>
<tr>
<td>Problem solving</td>
<td>A</td>
<td>Able to analyse complex problems/tasks and approaches them in an organised and systematic way to effect a solution. Is able to support other craftsmen in some complex tasks.</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Analyses the full requirements of all tasks and is regularly able to complete them without reference to others.</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Has experience of a wide range of operations/tasks and is usually able to carry out duties without guidance.</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>Not fully conversant with requirements of job and need regular assistance on a regular basis.</td>
</tr>
<tr>
<td>Initiative</td>
<td>A</td>
<td>Continually challenges existing work methods, makes recommendations for improvements and implements where appropriate.</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Regularly takes the initiative in proposing changes to work methods.</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Self starter who need little supervision in carrying out his tasks.</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>Regularly requires prompting to complete the task he has been given in an acceptable manner.</td>
</tr>
<tr>
<td>Attitude to others</td>
<td>A</td>
<td>Seeks to build teamworking, reduces conflict and develops co-operation with colleagues. Tends to take the lead in group situations.</td>
</tr>
<tr>
<td></td>
<td>B</td>
<td>Regularly offers support and guidance to all others in all situations.</td>
</tr>
<tr>
<td></td>
<td>C</td>
<td>Supports colleagues and demonstrates appropriate flexibility when required.</td>
</tr>
<tr>
<td></td>
<td>D</td>
<td>Tends not to support the team, possibly undermining the authority of others. Shows lack of concern for other peoples needs.</td>
</tr>
</tbody>
</table>
An example of how a performance rating might be awarded is given in Table 8.1.

Table 8.1

<table>
<thead>
<tr>
<th>Performance factor</th>
<th>Importance to job</th>
<th>Performance rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Medium</td>
</tr>
<tr>
<td>Attitude</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Initiative</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Approach to work</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Standard/quality</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Problem solving</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Overall performance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


In terms of pay, pay will be linked to the ratings in the following way: to provide a safety net, the unions negotiated a general increase at the D rating and a merit increases at ‘C’, ‘B’ and ‘A’. The award for each rating was agreed at the JCC and was then applied equally in all areas of engineering.

8.3 The objective of PRP in Engineering Co.

In order to find out what the initial momentum was behind the introduction of the scheme, senior managers and union reps involved in the introduction of the scheme and also those now responsible for the day to day running of the scheme were interviewed. The scheme also highlighted the complexities of the negotiating process, not only between management and unions but also between divisional and company levels. Whereas the previous case studies were implemented centrally, Engineering Co. is one group within one division, meaning that the process was even more complicated as the scheme had to satisfy many different interest groups. This is highlighted by the fact that the scheme took three years to negotiate.
8.3.1 Reasons for scheme: management

When asked 'how did the decision fit in with other business goals and objectives?', it is interesting to note that there seemed to be two inter-related driving forces behind the scheme. Firstly, there was a need for flexibility and to fit with the changing structures of the company. Secondly, it coincided with changes to manufacturing division, thus beginning to fit in with the rhetoric of customer service and empowerment.

It was not so much a business, as an engineering department, objective to merge into the new emerging divisional structure of the company. This also made it easier to transfer people from department to department. There was a lot of disquiet on the shopfloor about the old system (i.e. a worker could take on more work but not move out of the grade). So the company were looking at a scheme to address that. They also wanted to increase productivity by having a smaller workforce, better people and better pay for doing more work. They thought flexibility was important because the rest of the company was having to become more flexible or as they termed it, 'customer aware'. They were also having to recognise that there were other competitors for the service that they provided to other sections of the company.

There was also a problem over strong demarcation between the shopfloor and the management - the ties and the overall brigade - about wanting to get rid of that. Management said that it did not help the business to develop when people saw it as a difference.

So it was to get rid of issues where by if the wife was ill, if you had got a tie on you could just nip home and sort it out. Whereas if you had overalls on you would have to book some time off. It was issues like that which needed to be dealt with.

The personnel manager now in charge of implementing the scheme was rather more cynical about the rationale:
I think the words they were using were to do with motivation. But probably they just felt that it was a method of getting more hours, more effort out of people for perhaps a small financial reward because there as never been a great deal of difference between those at the bottom and those at the top end.

When asked 'what role did the organisational context play?', the first point made was that the engineering group had decided to implement the scheme and had not been asked to do so by HQ. They sat down for discussions with the unions because the old scheme was becoming corrupt. It was becoming difficult to evaluate and reward who they wanted to reward because the old scheme had been devised for a certain purpose and then an extra element had been bolted on to it to achieve more flexibility. There was a working party with an equal numbers of stewards and managers, together with Hay consultants. Management explained that Hay kept interfering with the scheme. Thus, in the end, they stopped inviting them to attend.

Management said that the organisational context was extremely important. Three factors played a part in the organisational context: the presence of the existing Hay scheme, management resistance and engineering acceptance. Firstly, there were 8,000 staff employees already on the Hay scheme 'and I don’t think they would have smiled if we had gone elsewhere for 400 odd engineers'. Secondly, the group had experienced a lot of resistance, not only from employees but also from the managers who did not want the engineers to have the same status as themselves. The company saw, however, the tradesmen as nearer to management in terms of skills and so forth, 'than the little girls on the line'. Thirdly, once they had negotiated with senior management/stewards, they had to sell it to the rest of the employees. They, therefore, spent a lot of time training managers and supervisors.

We didn’t want people going out there all guns blasting, which in the event some did anyway.
It took three years to get the new scheme off the ground, in the meantime everything around them had completely changed. By the time the scheme was introduced, management had made a lot of concessions to get the scheme in.

Well we achieved the fact that we got a scheme which met the criteria of rewarding people for their own efforts and responsibilities. But the actual scheme was probably further away from the company scheme than we anticipated.

The unions involved were traditional craft unions, with a degree of strength over job roles. This meant that management were aware that concessions would have to be made at some stage. The unions set out to ensure the three main factors highlighted in Heery and Warhurst (1994) had a role in the regulation of appraisal, reduction of financial risk and procedural rights for appeals and so forth. Most of all, however, they set out to keep some consistency over the grading structures and pay bands and it was here where they caused management much trouble. Engineering management's initial idea was to align pay bands and scores for jobs with those of the staff scheme, but in the event, the craft grades turned out to require higher pay rates with which to match with subsequent scores. A senior manager explained that in so doing they fell out with central personnel on several occasions.

The whole scheme was designed on the basis that 75% of people would be 'average' and it proved extremely difficult to convey this message to managers and supervisors. They had all kinds of problems with managers and supervisors with respect to how they judged what rating they should give from year to year. One manager said:

We had to sit down with supervisors afterwards and say you have been too generous. This caused all kinds of morale problems. So while the trial evaluations went quite well we realised six months later that everyone who had been over generous had to mark people down.

The company said that they owed a lot to some of the senior stewards as they were quite instrumental in getting the scheme through, even to the point
where they had exercised restraint over some of the shop stewards who had not taken part in all of the negotiations. A good example was shown when the week before the negotiations were to conclude, some of the shop stewards had second thoughts. They were mainly led by one particular steward, a born-again Christian, who said that he had prayed to God and He had told him that the scheme was wrong. The more senior stewards turned round to him and told him in no uncertain terms:

Your job is to supposed to be to consult your members, not *f***ing* God. Until your members say that they don’t want the scheme you should keep your mouth shut.

A senior manager said, ‘I think the only reason the scheme survived was because of the stewards’.

8.3.2 Reasons for the scheme: the unions

The unions agreed with management that it was mainly they who had raised the possibility of a different scheme, and had in fact been doing so for the past 10 years.

The unions brought it up but all we wanted was a new evaluation scheme. We wanted a scheme that gave pounds for points, and the HAY scheme did that. But we didn’t want PRP. We liked the appraisal bit but without any money attached to it. The company said that we had got to have the money side of it because they needed a carrot.

A senior union official explained that the engineers asked for the scheme to allow them to make careers for themselves. They were not happy with the existing staff scheme so they wanted to adapt it to ‘skills’ and make the terminology easier to understand. This made the process of evaluating jobs more to the union’s liking but they did not like the PRP.

The company are finding talents that they did not know about, but the down side is the pay.
With the old scheme, the company gained a certain amount of flexibility but when they introduced the enhancement, everyone shot up to the top of the grade and were then stuck. With the new scheme the company, gained more flexibility and it also allowed them to control the costs of labour.

In some ways, the unions felt cheated. They had gone, in all innocence, to look for a different evaluation scheme and landed themselves with negotiations over something they did not really have in mind.

The scheme was plonked in front of us and they tried to make out that we requested it. In some ways we did but I reckon that it was plonked on us personally in the way that they did it. Management said that because they have got the Hay scheme in it makes sense to use it, to get rid of the them and us syndrome. They never believed it, they said all the right things but they never personally believed that we were the same as them.

The unions said that it went from stage to stage until they requested that Hay not turn up anymore because they were trying to control it. 'They were trying to control the area pay rate by saying what the average should be, which, of course, was much lower than our rates'. Hay reported this to central personnel because they had an interest in keeping area rates consistent but, in the event, engineering management went to the Board of Directors who allowed them to carry on as necessary, much to the annoyance of central personnel.

When the details were finalised, the unions said that managers and supervisors were sent on three days training 'out in the sticks'. They felt that this was not enough, considering that they were supervisors and foremen who had never done an appraisal before.

It took us three years to work out the concept and they were supposed to get it in three days.

This was also problematic to the unions, because as they put it:

a lot of these people never learnt to talk to the shopfloor they know how to shout at them and bully them but they never learnt how to talk to them.
A further problem was caused by the fact that in the first year people were rated B when they should not have been, according to the unions. So, the next year, appraisers were told to be 'extra careful' and some of them went overboard by not awarding any at all or by withdrawing those awarded by some supervisors.

Despite the fact that the unions had given up a large chunk of their role in the collective bargaining process, they had still secured a 'representational agreement' and a general increase. No sooner had they got the scheme in place, however, that the division began to introduce 'value based management' into engineering. On top of this, around the same time, engineering management began to implement teamworking and empowerment.

In general, though, the unions thought that the engineers had benefited greatly from the scheme. They received much more high profile jobs. They also argued that teamwork and empowerment could not have been introduced without the Hay scheme and argued that job satisfaction had improved now and that they had more control over the way that they did the work. However, the unions felt that jobs were now far more differentiated and that reward should reflect this.

8.3.3 Vagueness of the scheme

In the light of the above discussion the remainder of this chapter will attempt to determine whether the scheme met its stated objectives, and if not, why this was the case. In doing so, it will highlight several important factors. Firstly, unlike the previous two case studies, this scheme did not include objectives. Instead, it relied on the setting and measurement of key performance factors. As with the objectives in the other schemes, the vagueness of this process meant that the scheme was immediately distorted from any of its original goals. Secondly, the scheme highlighted itself as a form of control in terms of behaviour, skills and costs. Thirdly, the scheme had unforeseen consequences in that employees quickly learnt how to utilise it for their own benefit.
As well as senior managers and union representatives who were referred to in the sections above, 24 members of staff were interviewed and many more were spoken with on an informal basis. Out of the 24 formal interviewees, six were on the new staff performance management scheme and the rest were on the engineering scheme.

Despite the fact that the scheme had originally been introduced to bring about flexibility, motivation and control of costs, as it progressed, it had also become a goal of the company's that it would make staff more aware of the division's new customer orientation. This meant lining up staff behind the goals and objectives of the manufacturing division. The company failed at the first hurdle, however, as there was no way in the scheme to reinforce these objectives. This was reflected in the fact that there was very little consistency over why employees thought the company had introduced the scheme. This was so for line management and employees, thus indicating that they had not been properly informed as to what its purposes were. Rather, reasons given by employees included: to cut money, gain control, 'carrot', focus, better performance and rhetoric. There were very few managers and supervisors who said that they fully understood the scheme. Very few employees agreed with the principle of the scheme, thus reflecting the longer collective tradition.

Although assessing the fairness of PRP schemes was not within the purpose of the research, as it had already been widely established that lack of fairness is a very common failing (Kessler and Purcell, 1992. Geary, 1992), it was still interesting to find that only three people thought that the process was a fair way of judging someone’s performance. To make matters worse, appraisers were more likely to say it was unfair than appraisees.

The first major problem was that only two members of staff thought that the appraisal process was consistent. They said that the scheme was governed too much by the mood of the appraiser, with very little emphasis on experience, which of course, is important in any kind of skilled engineering. They said that there
were so many different appraisers that it was not an exercise which was done in a uniform way and that, in any case, it was extremely difficult to assess performance accurately because it was so opinionated. On top of this, there was considered to be too much outside influence from higher management creating an immediate problem that the appraiser did not have a free hand.

Despite the fact that the company said that they had given training to all employees, only 14 people said that they had received any. A supervisor said:

I’m appraising people this year but I have not had any training yet.

But went on to add:

I work closely with the engineers so they tell me the ins and outs.

This highlighted his reliance on his subordinates to tell him how it worked. Employees, on the other hand, said that the outcome of appraisal did not matter anyway because ‘at the end of the day an accountant decides everything now, so I suppose it is an efficient way of controlling the salary increase’.

Only two people thought that there was a pay link. The rest said that it was either insignificant, not worth the hassle or that there was not a link. Even those people doing well from the scheme had their doubts about its effectiveness:

I’ve done all right out of it but I know people who plod and get a C whereas someone running around will only get a B, and there is only a few pounds difference.

They considered it to be worked out on a league table basis, so if one selected the best technicians across the manufacturing division and put them into one department, they would not all get B’s. Because of this, the scheme was considered a ‘carrot’, rather than a true incentive because it did not adequately differentiate people’s performance.
Others said that the effort and experience did not match with the ‘pounds and pence’ anyway:

I worked on piecework before and you didn’t mind that, you always knew where you were and how you could affect your wage or bonus.

Only one person said that they receive any clarification of performance expectations. No one thought that their performance could be measured objectively. They said that no one ever told them what they had to do to achieve anything.

At one stage we all went in to see what was happening because of lack of work. He more or less said that is not your work, your work is on the lines. So if they are happy with you sitting on your arse why should you put yourself out all the time.

One of the biggest problems was that the appraisers were always asking and probing individuals as to how they have performed.

8.4 The politics of PRP in engineering Co.

Because there were no objectives, it was the actual appraisal which was largely the controlling mechanism with this scheme and not a contract which was, of course, absent. The appraisal was not used as a two-way process. It was used as a disciplinary process. To make matters worse, the appraisers’ lack of comfort with the scheme meant that they did not welcome any feedback from employees. Employees felt that the process had two main effects. Firstly, it was to do with the ‘blue-eyed’ syndrome. Secondly, for those who did not fit in, it was used as a disciplinary measure.

There is a lot of the blue eyed syndrome, but it definitely gets those who didn’t work before.
How they are viewed by the supervisor/teamleader was very important because they were the ones who not only rated them, but also gave out the work. This made a difference as to whether they received good or bad jobs.

The whole idea of PRP schemes is to increase the performance of one's employees. Only three people said, however, that they thought that the scheme had any positive effect on performance, and even then, this was only in the form of saying that it was making them work harder again, emphasising the negative factors of motivation mentioned in Chapter Six. As Nolan (1989) argues, however, increases in productivity born out of intensification of labour do not always equate with efficiency. Employees also felt that it can be detrimental to performance if one spends all one's time 'bullshitting'.

Last year I put loads of effort in and got nothing so I thought f**k it. Then I went and got a B this year.

8.4.1 Monitored

Despite 'teams' and 'empowerment', employees felt as though they were being measured and monitored more closely. This was the case for all but 15% of employees. Some thought that the people who did not perform well were being monitored more, while others just did not like the idea of sitting in front of the supervisors and justifying their job.

I think you are being monitored while you are not aware of it. So, sometimes you might go into the appraisal and get hammered when you were expecting it to be all right.....At the appraisal, they come up with things you can’t remember or don’t expect.

This led to changed behaviours but most employees said that it had only done so in a negative way. Employees said that it put people against each other a lot. Some employees argued that PRP only suited certain types of jobs and that they would not get anything out of it, so the 'fuck it factor' sets in. A manager said:
through teamwork, as well, they are much more aware of what they should do. Appraisal is much more a weapon for making some people do what they should or withhold their pay.

In the main, however, most employees commented that it caused much backstabbing which went completely against ideas around teamwork.

8.4.2 Engineers and Flexibility

The company were looking for both multi-skills and numerical flexibility in terms of extra contractors. This was more of an ad hoc process than a move to the kind of model of the flexible firm advocated by Atkinson and Gregory (1986), however. From the example of the engineers, it is easy to see how Atkinson and others fell into the trap of mixing description with prediction and prescription (Pollert 1988). The company was definitely attempting to achieve some kind of flexibility but not along the lines of the core/periphery model. The developments over the 1980s could be taken as a move towards a core group on the basis of description. However, when looked at more closely, it was a short term response to the problems the company was facing in terms of intense product market competition and the threat of take-over.

Functional flexibility aimed at the right to cross demarcation lines rather than multi-skilling *per se*. Individual managers were just as keen to upgrade employees and increase their own status if workers under their jurisdiction were seen to take on flexible practices and more skills. Yet the evidence on skills and training does not necessarily support the idea of moves towards a highly skilled workforce. The emphasis is, rather, on job specificity (the tailoring of jobs and training to the specific needs of the company) and the intensification of labour utilisation.

The types of labour which are employed by the engineering group and described by Atkinson and Gregory as peripheral, again, did not match with their model. They reflect the traditional uses of these types of labour as described by other studies (Hunter and McInnes, 1991. Marginson et al, 1988). Temporary
workers were employed in newly expanding sectors to supplement existing workers whilst the plant became fully operational. Once this had happened, the workers involved were offered full-time employment. Sub-contracting increased gradually, although somewhat more rapidly, reflecting a long-standing trend. Contractors were used mainly to complement existing staff in the engineering group services department, taking on project work and leaving existing staff to deal entirely with maintenance. It may also be that sub-contracting was also a means of dealing with some of the problems of the job evaluation scheme (i.e. they used this type of labour rather than upset the internal structure). Generally, however, as Marginson et al (1988) found in their study, there was no upheaval in employment structure.

8.4.3 Distribution

Another form of control was that concerning distribution. It was explained above that the scheme meant to put the majority of employees into the C category - 'Average'. Rumours and experience of a fixed distribution were extremely widespread although there was nothing at all in writing to tell people that they must adhere to a distribution. The union said that they were sure that the company did control the distribution but that they just did not admit it.

Appraisers said they were not given guidelines but made it clear that if one gave all B’s, this would not happen, it came from management reading between the lines. They said that most of it came from the reviewing manager level.

The reviewing manager might raise concerns on certain ratings. It happened once where I was told to downgrade someone because they had only been in the job two months. I had to go back and say that I had made a mistake. So you can’t appraise people fairly and still motivate them.

Table 9.1 highlights the relative consistency of the distribution but shows a slight tendency of a drift into the B rating.
Table 9.1: Engineering Hay Grades distribution

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<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>B</td>
<td>15</td>
<td>92</td>
<td>100</td>
<td>122</td>
</tr>
<tr>
<td>C</td>
<td>374</td>
<td>251</td>
<td>300</td>
<td>166</td>
</tr>
<tr>
<td>D</td>
<td>1</td>
<td>2</td>
<td>13</td>
<td>2</td>
</tr>
<tr>
<td>DN</td>
<td>0</td>
<td>28</td>
<td>7</td>
<td>6</td>
</tr>
</tbody>
</table>

8.4.4 Playing the game

As in the previous case studies, employees in Engineering Co both consented to and resisted attempts at change. Only four people said that one could not ‘play the game’ with the scheme. This was only in terms of the fact that they thought that supervisors could see through that sort of thing, however. Most employees felt they could.

Yes definitely it’s the only way to affect the rating...You have to push yourself, its not enough to just do a good job....There are not the fiddles there are in piecework, but you can manipulate the situation.

They even played the game against each other as well as the company. Some said that where performance factors such as ‘standard’ and ‘quality’ were rated highly if one was being given the ‘shitty’ jobs all the time, one could not make them look good, no matter what. The same people always got the good jobs and it affected how the finished products were perceived. One supervisor summed the situation up thus:

You could have one person who thinks he can do the job quickly and puts down three hours, and then it takes him four. Then you could have another person who say’s he can do the job in eight hours and it only takes him five. Now the second person is likely to get a better rating than the first, so it is no wonder that people learn to play the game.

8.4.5 Teams and empowerment

Clearly playing the game worked in two ways: It benefited the workers but it also benefited the company, working as both a control and consent mechanism.
This kind of process was further enhanced by the use of teams and the concept of empowerment. Teams had originally been introduced on the production lines. These included both engineers and production workers. The concept of teams had now evolved to cover all sections of engineering, however. This caused three kinds of problems: Firstly, there was conflict between engineers and production workers over ‘who should tell who what to do’ and ‘who should be allowed to do what work’. There seemed to be resentment over women teamleaders especially. Secondly, craftsmen were expected to work together in teams but on different rates of pay. Thirdly, some of the work was simply not conducive to teamwork.

As part of teamworking and empowerment, teams were now supposed to be responsible for their own budgets. These were for costs of department, recovery and every aspect of the department. Initially, this was problematic in that employees questioned who exactly had the responsibility. Was it the individuals in the team or the teamleader? Management said that it was the responsibility of the teamleader along with his immediate manager, thus putting the disciplinary onus on the teamleader. The main component of the budget was the ‘recovery’. This was where teams were required to recover unit labour charge out rates by passing them on to the customer (i.e. through other departments).

The union gave the example of wages. They said that one might be given something like 37½ hours plus four hours overtime per person in the budget and what one had to do is charge as much of it as one could to the other departments so that one could recover the cost as profits. The way that it had been explained to them made it look as though the accounting system made it more profitable for them to sit around and bring in contractors to do their job because all of the costs of contractors could be charged out to the customer. This would thus count as ‘complete recovery’.

Being engineers, they had a refreshing but totally naive view of the budgetary process. When asked about the pressures of not meeting budgets one of the shop stewards replied:
It’s no problem, if we don’t meet our budget it means that the accountants must have got there original figures wrong, so it’s up to them to sort it out. Having said this, they did realise that, in the future, more and more pressure would be applied through the budgets.

Despite this some employees were happy with the team role even though team leaders seemed far more positive about it than team members. There were benefits to having more say over their work environment, even if they were being controlled through the budgets. Early indications suggested that the process was working satisfactorily until there was pressure on immediate management to bring about further change. Management then tended to flex their muscle again. The outcomes were indeterminate but it did highlight the point that employees sometimes consented to their own exploitation because it could benefit them (Edwards 1987. Thompson and McHugh 1995).

8.5 Summary

Within Engineering Co PRP, there was no way of enforcing a link between the objectives of the new division and the work of engineers. Further, because engineering jobs were mainly of a ‘one off’ nature, there was not the scope for standardisation. Nevertheless, management sought the right to change job roles as and when it suited them. In this way, they were going back to a more direct form of labour which one could call ‘direct bureaucracy’ - directly controlled labour but reinforced with a bureaucratic system of grades. Simultaneously, the company insisted on the introduction of teamwork and empowerment as part of their ‘value based management’ strategy. Yet again, there seemed to be no way that the PRP scheme could enforce this. It is, therefore, clear that the only consistent part of the changes desired by engineering management was the search for flexibility.
8.5.1 Engineering and Management Strategies

In this way, it is quite clear from the study that the overriding concern of management over the 1980s was control of the labour process. Can this be interpreted as a strategy on the part of management, however? This study shows that the emphasis was on responses to situations. If a strategy was present, it was sadly lacking in foresight and content. The changing economic environment led management to cut labour costs at a time when they were seeking to secure the co-operation of the workforce. The company responded by seeking flexibility not as a means of gaining efficiency per se, but in terms of increasing labour utilisation. As it turned out its proposals were frustrated not only by workers but also by lower levels of management who saw the up-grading of the workforce as an enhancement in their status. Yet again the company responded by proposing the present scheme in 1990. It was hoped that PRP would control the influx to the top pay grades. Yet a study by Walsh (1992) indicates that this is likely to prove more costly for a firm's internal labour market as grading structures and rates of pay become differentiated from each other.

Fourteen years out of the last 17 have been spent in detailed negotiations over changes to pay in one form or another. This is hardly evidence of a strategic led approach by management. Rather, it confirms the ad hoc opportunistic reaction to the problems of the day. Business strategies of a short-term nature seem to be present but labour does not form a part of them. Rather, management respond by attempting to utilise their employees accordingly. In so doing, they fail to go further than the labour process and constantly find themselves dealing with the inconsistencies of their actions.

Matters are not so clear concerning the role of the trade unions. In the mid-1980s, it was thought that the institutions of collective bargaining at the work place had held up remarkably well (McInness 1987). Yet there is evidence that this began to change in the late 1980s and 1990s (Millward et al. 1992). Via the new scheme, the unions lost the ultimate sanction on future wages (i.e. the right to
ballot members over it). They did retain, however, a very strong role in the administration of the scheme.

Management may well find themselves facing a fire fighting exercise caused by individuals who find themselves with added bargaining power. However, bargaining power based on a bilateral monopoly position brought about by job-specific skills may lead to a situation where infighting between employees rather than collective action intensifies. This may prove costly to some employees, but most of all, it will be management who pay the ultimate price for constant disruption. This was partly recognised by the fact that the unions secured much more of a decision making role in the scheme than originally anticipated by the company and were using this to police internal consistency of the scheme.

Management’s quest for control over the labour process, and the inconsistencies which this involves, has led to ever-changing employee relations, all of which involve varying elements of conflict with and between the parties involved. The focus on the term strategy, therefore, leads to misleading conclusions, as has occurred in the debates on the flexible firm and HRM.

Engineers are still redefining demarcation lines and management are still attempting to apply complete flexibility, combined with training and a horizontal expansion of some jobs. Even so, hierarchical struggles will still be present as management resented engineers and engineers resented production workers. This was a very important point, especially when one considers the introduction of empowerment and teams.

Edward’s (1979) or Friedman’s (1977) modes of control prove inadequate in explaining the way in which PRP was utilised to gain flexibility. This was not the kind of bureaucratic control or responsible autonomy. This was an evolved struggle for control moving back and forth between various categories aimed at consent and control. In this way, control strategies were many and varied. What makes it all the more interesting is that at the time of writing, management were
attempting to introduce a performance management scheme with contracts and objectives.

Engineering craftsman are perhaps one of the best known groups for having the ability to retain job controls. It is still difficult to tell whether this has remained the case in Engineering Co. Certainly, the modes of control seem to have swung against employees with PRP in that there has been a redefinition of the effort bargain. Engineers by their own admission are certainly working much harder. Yet, at the same time, they are still busy redrawing new demarcation lines and the overall rules of the scheme.
CHAPTER NINE

PUBLIC AGENCY

9.0 Introduction

In the Public agency, as with the previous two case studies of performance management schemes, there was a vagueness and inappropriateness about the performance contracts and objectives. Further, the Agency was undergoing much change which led to a consequent struggle for other modes of control. This in turn was leading to unforeseen complications in the changes being implemented. These changes were primarily to do with the restructuring role that the government was attempting to introduce in terms of the benefit system and its relationship with its employees.

As well as interviewing senior management, several weeks were spent in two separate offices in the North West of England. The main role of the agency revolves around getting people back to work and/or testing their availability for work and benefits. Approximately 45 people were interviewed and many more were spoken to and observed in their daily work. This gave an insight into how their work environment impacted on issues around the pay system. This proved invaluable as much of their work, as it turned out, is impossible to incorporate in the kinds of objectives they received.

9.1 Restructuring of the Civil Service

Public agency were, and to some extent still are, an inherent part of the civil service. As such, they have been affected by the changes to the civil service in much the same way as any other section. It is, therefore, worth taking a brief look at the restructuring of the civil service in order to present a more comprehensive picture of the forces acting upon public agency.
The civil service became the subject of more or less sustained government concern. This should come as no surprise as the civil service is the apparatus through which the state administers its policies (Winkler 1990). It is also by no means a new phenomena, but the intensity of the focus certainly increased throughout the 1980s and 1990s.

Butcher (1995) argues that purpose of these changes was a search for efficiency, effectiveness and value for money, or what have commonly become known as the ‘three E’s - economy, efficiency and effectiveness’. The first element of this was the shedding of labour but, alongside a reduction of staff, the government has also undertaken a major internal reorganisation of the civil service (Fairbrother 1994).

While the 1980s concentrated on the first two E’s, the 1990s concentrated on the third E - effectiveness (i.e. greater emphasis on the delivery of service (Butcher, 1995)). This led to what Fairbrother (1994) describes as the focus being put on the tension between centralised control and decentralised managerial accountability and responsibility. This led to some of the initiatives listed below which were an essential part of the reorganisation of the civil service throughout the 1980s and 1990s:

1. 1979 - Scrutinies of government departments by Lord Raynor,
2. 1982 - Efficiency controls through the financial management initiative (FMI),
3. 1988 Next steps - separation of delivery from policy,
4. 1990 - Deregulation of management freedoms, together with setting of financial and performance targets, and

The period since 1979 has been dominated by the idea that the public sector should learn from the management systems and techniques of the private sector. Contracting out and the introduction of market mechanisms into the delivery of welfare have been seen as just part of the wider developments to
improve the management and efficiency of delivery agencies of the welfare state (Winchester and Bach, 1995). Central to the restructuring has been an attempt to redefine the relations between management and workers. There has been a reorganisation from what was a hierarchical form of organisation formally based on concensual relations between managers and workers to a decentralised and devolved form of organisation with managers who are henceforth expected to manage workers (Fairbrother 1994). The first steps towards finding economy savings was the appointment of Derek Raynor as Head of the Prime Minister’s Efficiency unit, following the general election in 1979. This was aimed at improving administrative efficiency and the elimination of waste, and was to be aided by the introduction of a massive computerisation programme (Butcher 1995).

To improve the financial management of the various departments 1982 saw the launching of the FML. This involved the devolution of budgetary control to departments. Pyper (1990) argues that as part of FML, a vital prerequisite of enhanced internal accountability was a clearer definition of specific civil service roles and responsibilities. This meant identifying performance indicators suitable for civil service roles. Having said this, there were still problems inherent in the measurement of quality. Firstly, public services were less tangible than material products and as such were difficult to test and measure. Secondly, services are consumed as they are produced so it made it difficult to filter out substandard products. Thirdly, the producer of the services is part of the product. Fourthly, the customer is an inherent part of the product. Finally, the role of the customer in quality assurance is problematic (Pyper 1990).

Sir Robin Ibbs succeeded Lord Rayner as the Head of the Efficiency unit and the Ibbs report (1988) was a response to the perceived failure of the FML to bring about the desired changes to the civil service (Pyper 1990.). The report identified three principal obstacles to real change in the civil service (Fairbrother 1994):
1. The lack of focus on top management on the service delivery and executive functions of government,
2. The effect of treating the civil service as a single organisation, and
3. The lack of effective pressure to get better results.

From the Ibbs report flowed the Next Steps programme. The aim of this programme was to improve management and deliver better services with available resources. ‘The means of achieving this was the creation of agencies, semi-autonomous managerial structures with discretion to provide services proxy to market criteria and indicators’ (Fairbrother 1994: 6). It was all part and parcel of the political programme of rolling back the state, or the privatisation of welfare delivery (Butcher 1995). The Next Steps programme was imported from the private, commercial sector (i.e., downward devolution of responsibility combined with clearly specified budgets and measurable targets and outcomes). In effect, it was the creation of a ‘consumerist’ culture or character, but Davies and Willman (1991) argue that there are limits to this which derive not only from the absence of market forces but also from the fact that agencies are engaged with the public collectively as well as individually. By 1989, five agencies had been set up with another 37 announced. By 1990, 34 were established amongst them the Public agency with 33,800 employees (Fairbrother 1994).

According to Davies and Willman (1991), the central plank of the government’s policy was the control of public expenditure. As a means to achieving this, the Treasury had two main tasks in relation to agencies:

1. to develop appropriate performance indicators and
2. to control delegation of pay and job structure.

Carrying through the kinds of changes involved in the creation of agencies required the co-operation of the workforce. Unfortunately, the programme was implemented by a government who failed to recognise the contribution that staff make to any business (Davies and Willman 1991).
During the 1980s with the computerisation of substantial sections of clerical work, civil service offices were transformed. Instead of organising around paper records, they were increasingly organised around computerised record-keeping procedures (Fairbrother 1994) although some departments such as the Public agency still kept both paper and computerised records. Drewry and Butcher (1991) argue that the government had become increasingly dependent on computers and the people who operate them.

The perceived benefits of IT for the civil service are as follows (Drewery and Butcher 1991):

- Savings in staff costs,
- Benefit in accuracy/speed which transactions are processed,
- Better quality service, and
- Cash point type system of benefits.

Drewry and Butcher (1991) argue, however, that the government has put the emphasis on cost rather then on effectiveness. An essential part of the use of IT is the identification and measurement of performance indicators. Performance indicators are nothing new, being used as long ago as the mid-1970s, but there has been considerable growth throughout the 1980s and 1990s. The growth of performance indicators draws even more heavily on private sector concepts of management accounting. There are, however, few effective indicators when it comes to quality and customer service (Butcher 1995). Public agency has been no exception. They have had two separate computerised systems introduced in the mid-1990s - Labour market survey (LMS) and Job seekers allowance (JSA) - aimed at making it easier to identify claimants and to record staff performance. Both have been experiencing teething problems. Pyper (1995) argues that, initially, agencies were slow to set quality targets and performance indicators, but by 1992, commentators were beginning to notice some differences. However, though key agencies were meeting most of their targets, this did not necessarily
mean that they were more efficient. This may suggest that targets are too low or that they are being ‘fiddled’.

All in all, the reorganisation of the civil service into agencies has led to the following three important changes:

- Bureaucrats redefined as accountable managers,
- Public sector operations redefined as businesses, and
- Public seen as customers (Butcher 1995).

As mentioned above these types of changes needed the co-operation of the workforce, both in terms of the ways in which they were paid and the way in which they carried out their work. The government’s view was that PRP is seen as central to providing quality service in many private sector organisations. It was seen to fulfil several objectives which the government viewed as essential for the civil service:

- to encourage staff to meet objectives,
- to assists in retaining staff who perform well, and
- to offer alternative to promotion (Davies and Willman, 1991).

In the Citizens’ Charter (1992), the government stated that linking pay to performance is an important and effective way of focusing people’s energies and motivating them to achieve quality standards (Fairbrother 1994). It also fitted well with the government’s objectives of moving away from national level collective bargaining towards more flexible labour markets. Agencies and departments were continually encouraged to customise their pay arrangements, one rationale being that it would result in the effective and efficient delivery of service (Fairbrother 1994). Agencies have to be careful, however, because they may make control of pay in public services much harder and force management to devote undue resources to pay matters.
At a micro level agencies are said to be moving away from national pay structures for a number of reasons (Davies and Willman 1991). Firstly, this enabled them to address labour market factors such as recruitment and retention. Secondly, agencies which provide services directly might have wished to increase pay flexibility to improve quality of service. Thirdly, a grading structure which covers a huge variety of functions and levels of work might provide insufficient flexibility for smaller organisations.

The civil service comprises two groups of workers: the generalists and the specialist. In the case of generalists it is likely that new kinds of skills make them immobile, even within an office. This means that the way the office is organised, the physical conditions and the prospects of promotion become more important (Fairbrother 1994).

The core of the terms and conditions of employment of civil service workers has been pay, which has long been marked by huge variation. In 1992, the range in pay rates went from £6483 to £87,620. Over the past four decades, employees have experienced a relative decline in earnings. Further, the Treasury gave notice that it was suspending comparability arrangements (Fairbrother 1994). In the public agency, the number of grades has been reduced and the grade bandings widened, thus making for further disparities between people within similar jobs.

### 9.2 The organisation of PRP in Public Agency

#### 9.2.1 The history of PRP

**Prior to 1990**

In the past all staff in all government departments were paid according to the Civil Service wide terms and conditions applying to their grade. Each grade had a pay range with a minimum, maximum and fixed increments in between (known as Min+1, Min+2 and so forth.). Increments were paid to individuals on the anniversary of their entry to the grade. Once an individual reached the
maximum of the scale, their salary remained at that level. Increments were, therefore, based on service rather than performance. Each year, the salary scales were revalorised (minimum, maximum and all points in-between raised by the same percentage). Individuals automatically moved onto the new rate appropriate to their point (e.g., Min+1) on the scale. All staff were appraised on an annual basis but overall performance marks were only used for postings and promotions.

1990 to 1991

New pay agreements were negotiated by the Treasury and the central trade unions. This continued progression between the minima and maxima by increments but also introduced an element of performance pay. Individuals became eligible for performance pay, or range points, after they had been at the maximum of their grade's pay range for one year (unless they were outstanding performers - see below). The detail of each pay agreement varied slightly but the general principles meant that individuals had to attain a consistent level of performance for a number of years in succession before receiving additional pay. Outstanding performers were awarded accelerated increments if they were below the grade maximum.

1992 to 1994

New pay agreements were negotiated between the Treasury and central trade unions. These pay agreements saw the first real divergence from standard systems across all grades. The grade four to seven pay agreement gave departments and agencies greater flexibility to implement procedures and policies to suit their business needs. Flexibilities were also available in other agreements, but not to such a large extent. The main features were:

- the removal of incremental progression,
- no progression for less than satisfactory performers,
- individuals had to have at least 90 days paid service in the reporting year (variable) to qualify for an increase, and
unconsolidated bonuses were paid to those at the grade maximum, subject to continuing good performance.

1994 onwards

Public agency received pay delegation (i.e., freedom to design its own pay and grading systems to suit its business needs). In January 1994, it immediately implemented structural change for 17,000 executive officers (EOs) to senior executive officers (SEOs). This included changing the performance pay system for these grades or Management Pay Bands (MPBs) as they are now known. Report year ends were aligned to the 30th September, with performance awards being paid from the following April. Overall performance marks changed from one to five, to A to D and linked to achievement of agency objectives. Performance was paid on an equity share basis. A single share was calculated as a percentage of the mid-point of the pay band in which the individual spent the longest period. Percentages negotiated each year, depended on affordability. Qualifying service was extended to 180 days paid service in the reporting year.

Grades four to seven continued to be paid under the 1992 agreement until August 1995. All pay awards from 1996 were to be on equity share, as similar to MPBs as possible. The principle of pay and appraisal was now the same across the bands and the phased introduction of the system was now complete.

The starting point for the pay and appraisal scheme are the six ‘public agency’ essentials. These are a set of broad statements which describe the operating objectives of the Public agency. The main outputs by which they are judged are as follows:

- Annual Performance Agreement. Meet APA targets which reflect client needs and government priorities

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• Living within our means. At every level within the Agency use the resources committed to us properly and effectively.

• Value for money. Quality and continuous improvement at every level to deliver the same for less or more for the same.

The company said that it is important for all job holders to understand how their jobs integrate with their business objectives and the business plan for their office or team. The company received its Annual Performance Agreement (APA) from the Treasury. From then this was cascaded. The APA was split into manageable blocks with clearly identified objectives. This was then used as a tool for management and development. When standards and objectives were set every job holder should be considered on his or her own merits and job holders were expected to:

• set up a performance agreement,

• define the job purpose and key responsibilities,

• agree operational objectives and standards on which they will be assessed, and

• agree on development needs

The appraiser and appraisee are then expected to establish criteria for setting standards based on speed of response, quality of work, willingness to help, knowledge of the organisation, telephone manner, and technical competence.

There are two types of objectives: operational and personal development. Staff should be clear about what is expected of them in their jobs in terms of the output needed, quality and standards needed, and measurable quantities they need to achieve. Objectives should be S.M.A.R.T. and individuals should have no more than six to eight or no less than two. Objective control sheets should then be used as a means of helping to develop and document the objectives.
The performance appraisal review was supposed to be a two-way process and the agency said that the feedback should be an encouraging and supportive role, giving praise for achievement and constructive criticism when needed. Job holders should also give regular feedback to management and may have to be proactive to ensure regular reviews. Before awarding an overall performance mark, appraisers were advised to take into account the following:

- whether the job holder exceeded, achieved or not achieved the objectives,
- effectiveness over the year against KRs,
- standard and quality of work,
- how problems were tackled and resources managed,
- demonstrated initiative, and
- are they self starters/ innovators?

Next, an overall performance rating of A to D was awarded, ranging from extremely acceptable to unacceptable. Each rating was then awarded a certain amount of shares, depending on the grade an individual was in. The value of the share was determined by the company and each person then received the value of how ever many shares they were awarded for their performance.

9.3 The objective of PRP and the management of objectives

9.3.1 PRP in the Agency

Public agency senior management commented that initially they introduced PRP because it was centrally dictated. Since taking responsibility for their own pay, however, the main reason was because individuals now had annual objectives that were tied to the organisation’s objective. They also hoped to improve retention, motivation and control of labour costs via pay for performance.

Control of labour costs was something that we were trying to achieve through the equity shares system because we can control the value each year rather than it being a fixed award. It has to because we only have a finite pot (Pay strategy unit).
The agency emphasised that PRP is not distributed as it is in the private sector. Despite efforts to reflect a similar belief and similar culture, it does not have a movable quantity of money (i.e., a government pay freeze meant that any additions to pay budgets would have to be found from efficiency savings). This was causing them tremendous problems. Even so, the Agency said that it fitted well with other goals and objectives because it is driven by the APA agreed between the Chief Executive and the Secretary Of State. This was then fed all the way down. Everybody now had to describe their job against critical success factors - 'public agency' essentials was the generic term for these.

Clearly ministers have been delighted to see us being very active in the introduction of the sorts of changes that they were advocating for the rest of the economy but different regions have different characteristics and they are trying to control that.

The main aims and objectives were control and motivation, but knowing that motivation did not work, there was an ongoing process which tried to make sure that each of the key managers - the nine regional directors and six members of the board - managed their performance well (i.e., personally manage well the next tier down and tighten the reward).

If my boss is tough on me then I am hardly going to become a sort of lily-livered liberal with my line (Senior manager).

In terms of the organisational context for the scheme, the size of the agency and the need for consistency were important. It also had to deal with the controls imposed upon them by outside forces (i.e., government and the fact that they could not vary the size of the pot).

Yet there are very clear conflicting tendencies within public agency. Firstly, there was a clear difference in the way that management in the public sector and those in the private sector viewed their positions. Public sector managers had far more in common with subordinates in their view of how a
service should be provided. Secondly, there were very clear differences in the way that the pay and the appraisal sides of performance management were viewed. The two were designed and implemented by different departments. The appraisal was the work of the HR department while the pay side was designed by the pay policy unit. Both had different views on PRP.

When it was first pointed out that they would be expected to use PRP, there were two main threads to their thinking. The first was to do with making the best of a bad job (i.e., 'we have got to have PRP so what shall we do with it'). The second was to do with thoughts that the present arrangements were pretty unsatisfactory so it might be something positive in its own right. The first thought was to do with performance management and encouraging managers to manage their staff. The second stream of thought was to deal with the old culture. The record was less happy here, however. Further, the public sector ethos, although not popular at the moment with government, was one of the main driving forces for most people. A third conflicting tendency arose out of the fact that districts had been given an element of autonomy as part of the initial changes in the civil service. Some districts had decided on types of employment policies they thought appropriate, just prior to the introduction of the new pay scheme. These had clashed with central pay policies and caused some resentment among the districts and HQ.

9.3.2 The vagueness of objectives

The background has now been set for discussing the organisation of the scheme and the various factors impacting upon it. This next section will again highlight the vagueness of the objectives, meaning that the scheme was unsuccessful in meeting its stated objectives. It did have some success in satisfying other control elements, however.

Only about a third of staff said that they really understood the scheme, with a similar number also saying that they agreed with the principle of PRP. Yet again, as with the other case studies, nobody felt that the scheme worked in
practice, most saying that it was far too vague and not at all fair. Like everyone else, staff clearly recognised that the old civil service department were inefficient and ineffective and clearly wanted to do something about this. Many mentioned that there was a 'lot of dead wood' in the civil service and that pay based on seniority was not always the best method of payment. At the same time, fairness based on equality rather than equity and status based on hierarchy were much more ingrained into the culture of the organisation.

The scheme was encountering enormous problems. Very few staff said that they were un-aware of a link with business objectives or operating plans. Despite being aware of the link, staff mainly thought it was a waste of time. They said that they tended to be given the profile for the office and then plans were cascaded down. At the same time they felt as though they were searching for objectives to write down. Many also mentioned the fact that they thought the agency was attempting to apply a model of what they thought it was like outside in the private sector. One recent member of staff commented:

I was surprised when I came to work here because it was so sales oriented. I never realised for one instance that they put so much emphasis on numeric targets.

One manager told the staff that 'whatever you achieve will be what you set out to achieve', thus indicating that the figures would be inserted after the event. Staff thought this strange and commented that because of this it was nothing to do with performance, Rather, it was a 'carve up' of the figures. This led to all members of staff thinking that the scheme was about saving money or attempting to make staff achieve more.

The performance contracts, or performance agreements as they are known, were an integral part of the performance management system. They were also supposed to be an integral part of an empowerment relationship in which both employees and management agreed upon what their roles were to be. Yet only
one-fifth of employees thought that the performance contract meant anything, and this was only in terms of focus. Some staff commented:

It's to focus people in certain directions because if you don't do the objectives you don't get anything at the end of the day.

Others were more reticent about the contract, saying that they did not really feel anything about it. They said they had their own standards to work to and that they did not agree with objectives which stopped client's money.

I come to work because I like the job and nothing else will make me do it differently. If someone else is not pulling their weight then they can be pulled over the coals without this system in place. They are just playing a game so that they can be seen to be good, but it's not fair on the recipients.

The rest realised what the contract was about but resented its implications:

The theory is that if I don't hit my targets I don't get a B but it doesn't work like that. It just means that the clients don't get the best deal because we are aiming for the targets. We have pushes for certain things and we just end up playing the game.

They said that they were conscious of the numbers but that 'if you get them done you can sit back'. There was an underlying stress factor, which they thought was up to them to be aware of, but they did not always get the time to think about it. The problem was largely one of the vagueness or inappropriateness of the objectives (i.e. they were supposed to be agreed). Objectives were already pre-set, however:

We actually negotiate the office targets before the objectives are set. We get together (office management) in April to discuss the district targets and work out what each office can do.

This it led to three kinds of responses from staff, all of which led to vagueness in the process. The first set of responses said that they were asked whether objectives were realistic and so forth. Yet they commented that the underlying objectives were there anyway and that they just discussed how to
achieve them. Thus, ‘they are agreed but we have no option in them. They are just there’. The second set of responses concerned a sentiment that the objectives were not negotiable so they thought that it was negative to start looking at reasons why ones targets were not hit when they were so unrealistic. The third set of responses were to do with staff’s disagreement over some objectives because many of them were cascaded down whether they were achievable or not. This was also because some of the targets could be given away to others even where they were achieved.

I don’t always agree with the targets. If someone helps me with a referral then they might get the figures. The line manager has the authority to give it away. A lot of the targets are given away to make other sections look as though they are performing. The line managers do it between themselves so that it looks good to the business manager.

They also had objectives such as those for reducing the number of claimants which they disagreed with. They were told, however, that if they did not agree, they would have to see area management. They were made to feel very uncomfortable about not agreeing with targets, and thus, eventually gave up. They said that they did not always agree with the objectives but it was government policy so they did not have any say in the matter.

Matters were made worse by the fact that there have been many new managers in offices over the past few years. This made a difference because when they were new they tended to panic over the objectives. Further, as more staff were taken away due to downsizing, individuals’ targets keep rising. In some cases, offices were starting to realise this and thus, when they has reached their targets, were no longer trying to get any more in case they were incorporated into the next year’s targets. There was also the realisation, however, that:

You can’t blame some of them for going for all the targets because it is the only way that they can get on.

Staff said that they thought their attitude mattered to many of the clients but when new technology came in, it all went ‘out of the window’. The trouble
with the objectives for many employees was that they did not reflect all or most of their work. They were seen as aspects to do additional to the job. 'You can get on with doing your proper job once you have reached them', was a common attitude. Even where objectives concerned development, they went wrong:

My objectives were to sit with someone and learn the job. But that went right out of the window and I ended up doing the job without training.

9.4 The politics of PRP in Agency Co

All staff thought that measurement systems were a problem. They considered the old reporting system to be better than the new one because it looked at how clients were dealt with (i.e., at customer service).

With this new one you could be rubbish but as long as you got your figures you would be all right.

The problem was that while the objectives were supposed to be agreed with the emphasis on the whole job, rather, the emphasis was on figures and these were used as a control to focus people. Most staff said they were not monitored while dealing with the public, but were measured purely on the figures. This could have a very large effect on the way the public perceived the office. The emphasis on figures was further highlighted when staff said:

You don't have time to tell management how you are doing; there is always so much information coming through that you are always at saturation point.

The information was used to encourage staff to keep up with numerical targets. They could print out from LMS if they wanted a record. This told them what they had achieved on a weekly basis. The trouble was that the printouts were not always accurate. There was also a lot of work that was not measured which was a crucial part of the job. Staff said that offices tended to have 'pushes on things'.
They will say things like whoever comes through the door today make sure they go on such and such a scheme.

One member of staff commented:

I’ve seem people doing things and I think that they have just lost the human touch. They have targets for suspending people and saving money and they just do it, I’ve seen staff suspend people for things that I would let them off for.

Overall, however, staff did not think that it was very efficient when everybody was massaging the figures. It just became another case of ‘here we go again’ and it was not unusual for sections to steal targets from each other. People could achieve the figures but did not tend to really deal with the problems. If client advisors did spend a lot of time with clients and made them feel the ‘bees knees’, management were on their backs. The people though that they were great but, in the eyes of management, they were no good. Even an office manager said:

There is constant pressure to measure people through the targets but we have to take account of other factors and we have to justify that. Last year with all the changes we didn’t meet our overall targets so I got a box C. Now I could have passed that on to my EO’s but I didn’t. This year I have put objectives in place for the EO’s so they will have to take part of the responsibility (Senior manager).

Staff said that they had to work around the scheme and use their own system to measure it. Also, they had to use their own judgement as to whether people were doing well or not.

9.4.1 Monitoring

Management said that PRP is part of the ‘value for money’ culture since they had become an agency. As such, report forms were now geared more to monitoring headline performance whereas the old ones tended to be general. Managers said that there had always been extensive monitoring at public agency, ‘it’s just that pay is related to it now’. Staff got monthly printouts of what they had done but one of the things people forgot was that both of the key measurement systems (LMS/JSA) were management systems and are geared for sending figures
to district office who then produced league tables. These were then used to compare region against region, office against office and department against department. The effects of this have been well documented, with staff being intimidated into registering 'phantom' job placements to enhance managers' and government targets (Milne 1997). Staff also thought that they were experiencing more direct forms of monitoring. In particular, they experienced what Townley (1990) highlights as Foucault's 'surveillance panopticon'.

We are being monitored more all the time. They keep records of everything and they sit behind you day to day watching what you are doing. The same goes for the office manager. They used to have their own offices upstairs, but this one believes in the hands on approach. We all feel really cautious about it. They are listening and watching everything and to make it worse the front counters are filmed by security cameras as well.

Supervisors said they knew what staff were doing anyway. Sickness was always monitored and there was pressure on staff from that point-of-view that there was the threat from district management of downgrading or the sack if they thought staff had too much sickness. The way work was carried out was rarely monitored, however:

With work it doesn't matter you could be here all day doing nothing and they wouldn't say a thing.

As in the previous case studies, the distribution of performance was also tightly controlled. In 1997, however, because a new system had been introduced which caused much turbulence, managers had been advised to give everyone a B rating, thus making a mockery of the scheme.

9.4.2 Resistance and consent: Playing the game

It was clear that the majority of interviewees thought that it was easy to massage the figures. There was a lot of number crunching to make figures look good. Staff said that it was usually the office rather than the individual that was fiddling the targets. Others mentioned that management got locked into 'fudging
the figures' because their pay was based on individual targets more than that of other staff.

If someone tells you to get a figure then you get it and people turn a blind eye because their manager wants it.

The civil service was all about massaging figures. One department said:

We had to count the unemployment figures when we took it over and there were hundreds missing. We found out that the other department used to guess it.

Because of an increase in monitoring and computerisation, there was a temptation to say that one could not play the game anymore - but they could.

It's difficult to fiddle the figures because of the computer system keeps a record but we lose more results than we record because there is not ample training.

Some staff refused to do so at all:

I won't fiddle my figures but it is done in every office. Everyone has got someone else on their back so you have to. Once you start it is never ending.

Others had already learnt that targeting was what they needed to do:

Last year we played it straight and we probably learnt that it doesn't pay. There are certain things that still get counted manually and we estimate them in our favour!

Some staff thought that it was easy to fiddle the figures, even to the detriment of the clients, thus consenting to the exploitation of others:

You can spend all your energies getting people on placings; trip clients up etc.; target certain people, for example, those who can't read well or don't understand it.

Then again, they could also consent to their own exploitation:
Offices, department, regions swap figure to make them look good but then they set next years figures on last years fiddles, so it goes on.

One member of staff told of a colleague who was determined to get an A rating. So he went 'hell for leather' for it. For example, he got targets for 'placements' but none for 'follow ups' so he never did any follow ups. This meant that he only performed part of the job, yet exceeded his objectives.

Finally they could also do it to the detriment of the agency:

It's easy. You can put placings on the LMS system. If a client comes in and tells you that he is looking at a particular job and it is one that he hasn't got through the job centre then you could type it in as a result of yourself. You can also influence people on the type of thing they do.

They also had targets to get disabled workers (PW) into jobs. Some staff were so skilled with the rules that they could classify hayfever as PW. They said, however, that there were more casuals on the front desk now who did not know the system so well.

9.5 Summary

As with Bank Co there were two separate cultures in the agency, stemming from the merger of different functions within the civil service. One was more concerned with providing service aimed at helping people to get employment, while the other originated from the benefit side whose members were taught to be suspicious of people and deal with them from a distance. This second side was far more figure orientated and far less service orientated, but like Bank Co, it was this harder side which was seen as uppermost for good performance, while the rhetoric of the service side was being encouraged.

The PRP scheme in the agency was a prime example of a scheme driven by numerical targets which ignored large elements of the way the work was performed. The objectives via the APA were clearly the key to the performance
management system, and if it was to work at all, this part of the process needed to be accurate. Yet this was far from the case, and because headline figures ignored large chunks of jobs, they became inappropriate.

Rather, the control element of the scheme came directly from the government's role via the Treasury in the provision of such services. Because these figures were likely to change depending on government policy, this meant that while the agency were busy attempting to implement new employee relations systems, government policy distorted their effects.

Techniques used to change the office labour process paralleled changes in manufacturing, notably the fine division of labour and large batch productivity. None of these techniques were new to civil service agencies (Winkler 1990). The introduction of Fordist and Taylorist techniques into the civil service had taken place over a number of decades. Managers during the 1980s and 1990s, however, have had to attempt to deal with 'culture change' aimed at an enterprise or commercial culture where workers identify with state corporations and are rewarded for individual effort (Fairbrother 1994). The civil service is the apparatus through which the state administers its policies.

The government of the day can therefore exert direct control over the civil service through its position as managers and via the hierarchy of accountability and can hence determine the nature of any restructuring (Winkler 1990: 136).

Being organised as managerial units with some degree of autonomy and discretion over staffing matters could be construed as a move towards more direct forms of control over the use and the deployment of the workforce. This occurred, however, within a framework of policies determined at the centre (i.e. determined by structural reorganisation and budgetary controls). Thus, a relatively clear strategy of change in work and employment practices had been mapped out, with the aim of reorganising local offices so that a layer of staff - the district managers
and other senior staff - were responsible for the budgeting of the offices (Fairbrother 1994).

In practice, agencies began to experiment with flexible forms of employment and working procedures. Office routines and procedures were recast as the civil service attempted to utilise different technologies at work. Because office labour process remained fundamentally unchanged (although the introduction of IT transformed some processes), however, changes in the size of its activities were more often than not transferred directly into changes in its employment size (Winkler 1990).

In order to meet the demand of a more malleable workforce and a management with the authority to do so, two conditions were necessary. Firstly, the standardised employment relations of the past had to be ended and second, this meant that local management required the authority and responsibility to reorganise work procedures and organisation. Until recently, there was no marked divide between different grades of work, with management acting as administrators with little substantive discretionary authority over lower grades of workers. In these circumstances, it was not unusual for middle grade civil service workers to express interests in common with lower grade workers and vice versa (Fairbrother 1994). In order to elicit worker support for restructuring, while retaining staff motivation, there had been attempts to motivate staff through PRP. However, vague objectives led to employee demotivation. Agencies used their new-found status to implement new forms of employment relationship and performance management was an attempt by the agency to concentrate a smaller workforce on its main objectives (i.e. unemployment) but the concentration on meeting headline figures alone as meant a great deal of cost and a steep learning curve to learn the new skills (Davies and Willman 1991).

Therefore, transformations using PRP required control over manpower via improvements in line management and a distancing of the administrative functions of the state (although in reality this is not possible as the state still retains overall
control). Winkler (1990) argues that this involved a move away from bureaucratic rules towards management according to financial demand, but in reality, it has only involved a different set of bureaucratic rules along with more direct forms and technical surveillance.

More than in any of the other four case study organisations, it was extremely difficult to envisage exactly what the public agency was attempting to achieve through the use of PRP. The control of costs was extremely important, but the objectives and targets were not driven by their association with pay, as most regarded the pay rise as being insufficient.

It would seem that most of the pressure to hit targets was increasingly on the various levels of management who then cascaded them down to other employees. Statistical information worked as a constant source of effort control as employees were encouraged to compete with each other. The fact that supervisors scrutinised these records acted as an added source of surveillance. These factors, when combined with the fact that the work of the agency was very much dealing directly with the public under increasingly stressful conditions, meant that the staff were experiencing increasing levels of illness through stress. In many cases, under very similar circumstances, the increased levels of illness were put down to sick building syndrome. Yet as Baldry et al (1997: 337) highlight, it can be as much to do with the way the labour process is organised.

This suggests that when workers have minimum control over both work and the working environment and where intensification of the labour process takes place in a working environment incapable of supporting it, workers can quite literally be pushed to the physical limit.

The performance management system in the public agency was helping to perpetuate these kind of conditions.
CHAPTER TEN

CONCLUSIONS

10.0 Introduction

Economic crisis leads to a search for innovative strategies, one of them being a reliance on contract as the instrument to define the terms and conditions of exchange. Another is flexibility in order to react as quickly as possible to situations (Streeck 1987). This involves, however, an inherent contradiction and makes the employment relationship much more complicated. It was found that PRP is one way of utilising contract but the complexities associated with it means that companies are continuously searching for better ways of resolving these contradictions.

As an attempt to conceptualise why this is happening, two processes will be explored. The first process is a wish to alter the 'effort bargain' which involves the reorganisation of work in a bid to standardise effort measurement, combined with attempts to intensify effort levels. The second is a 'process bargain' which includes a change to the organisation's administration systems. Examples include human resource management, differing systems of budgetary control and performance management which all include consequent changes to systems of rules, measurement and control. This highlights the fact that organisations are attempting a general renegotiation of systems of control, with management forming the primary change agents.

These processes, however, involve contradictions because they are often dealt with by different levels of management who have different priorities. Combined with this, they often deal with different issues. For example, an effort bargain may involve contact at the point of production while a process bargain is an overall view of how the company believes that it should manage issues such as human resources. This may lead to schemes which do not always achieve what
they were originally purported to be achieving. This was primarily the case here because there was, firstly, a standardisation of objectives and contracts, while secondly, the objective-setting process was so vague. This was so because companies were attempting to address many different contradictory issues. Not least among these were those revolving around the individualistic versus the collectivist nature of the employment relationship and those revolving around the need for standardisation versus flexibility.

Importantly, it will be argued that this is not a search for control per se as simple labour process theory would predict. Rather, it will form part of a wider search for competitive advantage which includes restructuring and change to the whole organisation. The changes in the companies studied here were complicated by a search for control, compliance and consent and the outcomes were largely specific to each organisation. This means that it is inappropriate to define systems such as PRP in terms of simple changes to all embracing 'modes' of control (Friedman 1977, Edwards 1979, Burawoy 1979). After a summary of the chapters, the remainder of this conclusion will further explore the above-mentioned factors.

**10.1 The organisation of PRP**

The use of PRP schemes has certainly increased over the 1980s and 1990s. Their popularity has been seen to be associated with changing theoretical doctrines and changing organisational structures and objectives. In Chapter Two, it was highlighted that the popularity of PRP reflected pressure from two main sources. The first has been management practitioners and consultants and the second the governments of the day. Both were reacting to what they saw as a possible cure for the ills of economic recession. In other words, the concept fitted well with an ethos of what successful companies should look like and the kinds of policies that they should be utilising. This being the case, organisations that wished to be, or to continue to be, seen as successful were unlikely to admit that they could not meet the criteria needed to establish a PRP scheme.
Yet the schemes were, to some extent, and still are looked upon in isolation from changing structures as a positive means of motivating employees. Yet in Chapter Two it was highlighted that research has begun to point to the fact that the schemes are not successful in meeting these objectives. Thus PRP was either considered to be a complete failure or a possible success if altered in particular ways.

It was found, however, that the purported traditional uses of PRP were not clear cut in practice. Recruitment and retention were better addressed through market structures. Chapter Two also highlighted that concepts such as motivation and fairness were far too complex to be dealt with through a pay system alone. In fact, the politics of pay meant that norms and customs could only be altered through a process of 'negotiated order'. It was the performance contract that was being used in an attempt to do this in the establishment, while at a wider level, the government attempted to change pay norms via economic policies. Chapter Two also highlighted that, because the use and introduction of PRP had many objectives, it was perhaps better to approach the nature of the subject differently from the traditional position of whether or not it motivates. Thus, it was argued that PRP was better viewed as an element involved in the renegotiation of systems of control and the effort bargain.

Chapter Three highlighted that a case study methodology would prove more successful in investigating these factors while the use of survey data would provide a good background for choosing which types of establishments to study and any characteristics which they might portray. Also that establishments with PRP seemed to be concentrated in certain industrial sectors, while Chapter Four highlighted the fact that the average PRP establishment showed certain distinctive characteristics to those without PRP. We saw from the WIRS analysis that most establishments were part of a large multi-establishment organisation. They were also more likely to be in competitive markets, with demand for their products being sensitive to movements in prices. As such, these organisations were those
more likely to be affected by recession and so forth. This was borne out by the fact that the establishments had experienced more change both in work organisation and production technology. The administration systems were also different and this could be a function of the fact that the organisations were also multi-establishment. This could also be confirmed by the finding that there were more management layers and that managers tended to have more autonomy over decision-making other than those concerning finance.

It is also interesting that the organisations were experiencing an increase in non-manual membership and recognition, posing questions as to whether PRP was a reaction to growing membership (i.e., seeking individualism) or whether growing membership was a reaction to PRP and the growing insecurity within the establishments, especially for white collar-workers. PRP establishments were more likely to have a union present and were also less likely to have a committee whose primary concern was consultation. Chapter Four highlighted that PRP establishments were likely to be using a combination of what could be seen as old industrial relations type policies and new HRM policies. There was also a suggestion of more conflict within the establishment, including more grievances over issues such as pay and appraisal. There were also more disciplinary sanctions being applied by the establishment. Combined with this, the organisations thought that their management/employee relations were poor.

Although it is difficult to theorise on the basis of the WIRS data, they enable us to argue that organisations utilising PRP are located in highly competitive sectors, and as such, may be among those most likely to be searching for new strategies of competitive advantage. The fact that poor industrial relations and financial performance are present may help to confirm this.

In line with the predictions of contingency theory, certain distinctive factors were portrayed by organisations which utilised PRP. True to the prediction mentioned in Chapter Two, however, organisations had a degree of choice over the way in which they implemented policies. This was indicated by
the fact that despite a trend towards similar types of scheme (i.e., performance management), the application of the schemes portrayed many differences. There was both a diversity of performance criteria and methods of scoring individuals, and of the means of linking pay to performance. Thus, the different labels disguised similar schemes while the similarity in the concept of payment systems disguised many differences based on organisation specific factors. This might be explained by different consultants developing their own particular packages based on the ‘flavour of the month’, while practically, organisations have to adjust their schemes to fit their own organisational contexts. Yet it was found, as will be shown below, that even where the same consultants are used schemes still differed in practice. The main point to highlight here is that, on paper or if analysed through survey methods, these schemes would have appeared very similar. The use of a case study methodology allowed one to see beyond the initial veneer to the complexities of the processes involved.

The four ethnographic case studies highlight examples of three companies with the same schemes on paper and with the fourth organisation moving towards this type of scheme. However, as mentioned in the preceding section, despite appearing similar, all were applied differently in practice.

What they did share was the fact that all were attempting major restructuring and change, including constant ‘tinkering’ with their PRP schemes. This was easy to see with hindsight. Organisations did not have the luxury of hindsight, however. Instead, most appeared to take the ‘suck it and see’ approach of having to make *ad hoc* alterations to the schemes. Taking this approach was very costly so organisation were reluctant to give up their scheme altogether until, one would have thought, it had gone through its life-cycle and exhausted its purpose.

The Engineering Company scheme was one of the older type of PRP schemes which concentrated on behaviours and actions which the company thought were specific to the roles within the organisation. This type of scheme
had already been experienced by the other three organisations prior to the implementation of performance management. Engineering Company was largely concerned with gaining flexibility from the scheme, along with control of labour costs. Yet, the scheme was ineffective in terms of guiding engineers in what they should do. Because of this, the scheme was likely to be short lived as it only allowed a transitional shift in terms of breaking down demarcation lines. In fact, as this conclusion was being drawn, the company was already in the process of attempting to negotiate a performance management scheme which was equivalent to that in the rest of the organisation (i.e., Retail Company).

In practice, Retail Company managers were uncertain as to the accuracy of the objective setting process. They felt that the scheme put them under pressure rather than providing them with help and guidance. Shopfloor workers thought that objectives were too standardised. They often resented the fact that they were being told exactly how to sell, in addition to being monitored by mystery shoppers and being closely supervised.

Employees in the Public Agency had similar problems to those in Retail Company but were probably the most frustrated by the whole process as they did not have full control over their own destiny. In other words, the Treasury was in overall financial control even although the Agency was portrayed as being an autonomous organisation. This meant that the Agency was always working within parameters that had been pre-specified by government.

Managers at Bank Company had been used to PRP for a long time. What they were not used to was the fact that their performance was now so closely tied to their pay. Managers at Bank Company were not strangers to having their performance scrutinised but in the past, this was mainly for the purpose of promotion. Thus, they not only felt that control had been taken away from them but also that their roles were moving away from what they considered they should be.
Despite the overall negativity of the schemes, employees did see some benefits arising from them. In particular, there was the opportunity to express their feelings to a certain degree within the appraisal process; this was especially so for those employees who felt they had an amount of personal bargaining power. In addition, some employees in Engineering Company felt that they could use the scheme to their own advantage in terms of getting extra pay for additional tasks. Employees also found various ways of manipulating targets or results.

In Retail Company, managers welcomed the performance management process as a good idea but had doubts about how it worked in practice. Employees were driven more by peer pressure than objectives, as were managers in Bank Company. This was because carrying out the job competently gave them an element of ‘status’ in the eyes of others. The appraisal process was less of a positive experience in Retail Company due to the prevailing culture of paternalism. Those employees who had good sales performance used the scheme to their own benefit in additionally highlighting this fact through objectives.

In the Public Agency Company, management still had certain sympathies with other employees in that managers felt more aligned with employees than being the ‘agents of capital’. Both were bearing the brunt of the many changes which the organisation was undertaking. Employees did not mind that the organisation was searching for more efficient ways of providing the service. Many of them found the old ways of doing things to be overly bureaucratic and thus welcomed a certain amount of change. In their opinion, the problem was that the kinds of processes and objectives being imposed on employees were more the product of cost-cutting exercises than of an efficiency exercise. Thus, to an extent, both management and employees were willing to conspire in the ‘fudging’ of figures.

In Bank Company, managers were conscientious and very self-motivated but felt that they were being devalued. Despite the fact that objectives were becoming standardised, the bank was making a genuine effort to give its managers
some autonomy (i.e., through the bonus scheme). This autonomy was still within tight financial controls, however. The bonus element of the Bank Company scheme appeared to have many more positive effects than the rest of the schemes in that it gave managers a wide degree of choice over the possible awards for good performance. Managers did not welcome the unconsolidated nature of the bonus, however.

It was also highlighted that there seemed to be similarities in what the schemes were aiming to do and what their effects were. Despite an overriding emphasis on developmental factors, none of the schemes were actually carrying this out in practice. In particular, they seemed to aimed at aiding a change in the way that the organisation was administered and in altering the equilibrium level of effort. Ways in which they were aiming to do this were as follows:

- control labour costs and their distribution,
- individualism - individual contracts but standardised,
- flexible standardisation - the combined search for flexibility and standardisation simultaneously, and
- management - as agents of restructuring.

Finally, Chapter Five highlighted the ways in which management was being used as the agents of restructuring, in a perceived separation of the company from its management. In other words, the change was perceived as being the choice of managers rather than the choice of the company itself. There were four problems, however, which hindered this process. Firstly, it was not easy for employers to bring about change given the existing structures and procedures. In other words, they had to live within their historical and social contexts. Secondly, the inconsistencies which the schemes produced, led to varying results for other outcomes. Thirdly, the effects of the schemes depended on the attitude of managers, or to borrow an expression from Smith (1990) whether they 'managed up' or 'managed out'. For example, while some managers followed the scheme to the letter, it often meant that they were implementing changes which would put
themselves out of work, while other managers used the schemes to protect themselves from such change. Finally, and related, employees very quickly learnt to play the schemes at their own game. We need to be able to conceptualise why these factors were present in order to understand the full nature of PRP.

10.2 The objectives of PRP

10.2.1 The performance/pay link

PRP holds out the promise of a link between an individual’s performance and their increase in pay or bonus. This concept has proved attractive to employers and, on face value, even to employees. It is almost built into our value of the work/pay relationship that we should have a fair link between what we do and what we receive in return. In fact, employees may believe in equity of pay structures because it represents lasting differences in the status of labour (Baldamus 1961).

The post-war period has been characterised by these values being determined collectively for the benefit of all. A shock to this system of determination meant that a search for a different way was demanded by some employers and employees, for one which provided a better link between what organisations and individuals achieve and what they receive. This provided the motivation that if people want an increase then they have to earn it, or that if the organisation does well then employees will be rewarded. In chapter two, however, it was noted that this simple yet overpowering message can be distorted into a means of achieving several objectives whose only relationship is that they are in some way linked to addressing labour market factors. This distorts the relationship even before the effects of the complexities on employee relations are examined further.

The theoretical justification for PRP in the UK came in the form of the revitalisation of orthodox economic theory during the 1970s, and the fierce attack
on labour market regulation by successive Conservative governments. Yet the problem with theories of wages has been that 'they have always over stressed coherence and functionality and underplayed conflict and contradiction and scope for discretionary, random and opportunistic decisions (Rubery 1997: 337). PRP is best envisaged in this way rather than from the orthodox wage theory view which sees the market as the best determinant of the employment relationship. Whereas orthodox theory sees the market as bringing about consistency via the 'invisible hand', recent changes in labour markets have widened pay differentials much further than in the past, causing a misallocation of resources, and thus placing in doubt the proposition that they improve market conditions or efficiency (Rubery 1997). Thus, in individualising pay, PRP may perpetuate differentials. Yet we actually find that PRP is an attempt to address many factors, not least of which is an attempt to manage the inherent tensions of the wage relationship. By recognising these contradictions it can allow more progress in terms of analysis than past research into PRP has done. It also highlights its political divisiveness and the fact that the schemes can become locked into the inherent contradictions of the employment relationship.

Right from the start, the problem with PRP schemes has been that there is very little evidence of a genuine link between an individual's performance and their reward. Secondly, the objective of new pay structures may not just be to improve performance per se. For example, in Chapter Five, it was observed that most of the organisations sought to control the distribution of performance, and hence, pay, through their schemes. In addition to performance factors, these new pay schemes and structures may have allowed the redistribution of income to particular groups, mainly managers and the higher paid (Rubery 1997).

The assumption of a normal distribution, found in most of the case study companies, is that the average worker's effort is definable by the organisation. Organisations work on the assumption of a normal 'bell-shaped' distribution curve which positions the average worker in the centre of that distribution. All the organisation has to do, then, is to rate each employee between poor and good
standards and arrange them to fit. The bell-shaped distribution assumes that there are few poor and excellent performers and that working inward from both extremes, more and more people congregate in the centre, towards the average performer. This means that it is a forced distribution by the organisation. Also, the normal practice is to distribute pay on the basis of, for example, five percent being paid as poor performers, five percent as excellent performers, and the remaining ninety percent paid as average. Further, this is done with finite amounts of cash.

What this means is that firms are arranging all workers so as to share out a pre-determined 'pot' of money. While this practice may be quite acceptable and fair within the limits of a pay budget, confusion stems from the fact that organisations go on to portray the scheme as purely performance based and employees expect it to be so. It does not usually take long before staff realise that this is not the case, with the consequence that the scheme loses credibility. A further problem is that within this distribution, rewards are aimed at giving more to the above average performance and nothing to the below average performance within the limits of the pay 'pot'. Therefore, only a certain number of people can ever better their pay above the average, whatever their performance. This means that the determination of performance comes more under the control of the organisation which then attempts to base it on setting new norms. The new norms in the case of PRP, however, are not set on the basis of the average performer. They are always set on the basis of the 'outlier' being the model employee. This is highlighted by the fact that employees are always told that colleagues were accepting higher targets and asked why did they could not do similarly (e.g. Bank Co). Thus putting pressure on employees to accept higher targets. However, once objectives were exceeded, the new figures tended to be incorporated into next year's targets, thus making the model employee more like Taylor's first class worker than the setting of the average (Newton and Findley 1996). To add to the confusion, the total pay 'pot' can be manipulated by the organisation so that if decreased, performance then becomes based on ever smaller amounts. This means that there can never be a chance of a true relationship between pay and
performance in the same sense as PBR. Even the average worker may get less than he or she would have expected under previous schemes.

This introduces the possibility that the motivation for changing pay structures may not just be the result of changing organisational requirements or needs, but may also be to do with changing power relations among worker groups and between capital and labour more generally. It is precisely the political and labour market changes in the UK and changes to the wider external environment that not only stimulated organisations to make changes, but also gives them the opportunity to do so. The fact that changes in the external environment stimulates and gives organisations the opportunity to change does not explain why PRP does not give a precise link between pay and performance. That PRP is used to address many differing factors might do so, however.

Thus, the effects of PRP may be distorted by factors other than performance. To make matters worse, perhaps the most damming reason why these schemes do not work as they are supposed to revolves around the objectives set for individuals as part of their performance contracts. For the purposes of explanation this can be split into two main sections: the vagueness of the objectives and the fact that they tend to be standardised.

10.2.2 Vagueness of objectives

Part of the problem is because the objective setting process is so vague. Objective setting is seen as a mechanism for linking corporate plans to the daily work process. Within this, it is argued that for most organisations, this need is emphasised by an 'exposure strategy', exposing employees to financial and organisational information about the company's competitive situation (Smith 1991) in a bid to win employees over to the goals of the organisation. Combined with this, records of how employees meet these objectives then make up the main source of information for effort stability control. This can only be true, however, if the firm does not undergo any major changes (e.g. new methods of production).
Yet we know that most organisations and employees are experiencing many changes. For example, objectives at Bank Co were seen to be inaccurate and often unachievable from the start of the contract. This led to a lack of cooperation between various new sectors within the bank as they sought to hit their individual targets. Objectives were made even more inappropriate by the fact that staff shortages meant that employees often had to cover for different jobs within these sectors. A similar effect was also present within the public agency, though not so severe. In the public agency, it was more the case that objectives were in opposition to what staff thought the job entailed. Staff thought that spending time with the clients was an essential part of getting them back to work, and also for identifying who the 'genuine fraudsters' were. Objectives, on the other hand, were reducing the time they were allowed to spend with each client while increasing the numbers expected to be taken off the unemployment figures. Staff in all the organisations were also upset by the fact that the objective setting process talked in the language of empowerment, yet in reality, the opposite was happening. In Retail Co, objectives attempted to reinforce behaviours which employees thought inappropriate for their jobs. While on the one hand the company were promoting the scheme as a two-way relationship in which workers set their own objectives, on the other, they were giving them objectives they did not agree with. This not only attempted to control their behaviour but also the exact comments they were to use with customers.

Combined with these conflicting objectives is also the fact that when someone got a certain performance rating in their contract, they were expected to perform better the next time. This was built into the nature of the system. If one exceeded one's contract, then this becomes the norm for the next year. It is this type of constant pressure which is responsible for the amount of fiddling or playing the game which staff did to keep up performance levels. It is also this that distorts the nature of the objectives.
The severity of this process is partly dependent on the severity of the pressure which management may be under. Where there is little pressure the objectives remain relative. For example, at the Public Agency Co., the pressure to hit the government targets was great but it was spread throughout the organisation and largely seen as stemming from government rather than from management. However, in Retail Co the emphasis was less on figures in the objectives than on direct controls and monthly objectives which already existed. The objectives were more to do with reinforcing the behaviours which were to be utilised in meeting objectives.

10.2.3 Standardised contracts

Part of this problem of vagueness is due to the way in which the performance contracts and objectives are set. In Bank Co and Retail Co the performance contracts for individuals were standardised, meaning that other than the addition of numerical details, the objectives were largely standardised. There is also a difference between those which are standardised because management could not be bothered to differentiate them and those which are standard because head office have provided standard templates of what they should look like. Public agency Co was an example of the former while Bank Co and Retail Co were examples of the latter.

The companies attempted to provide standard contract templates in an effort to stem the amount of subjectivity surrounding objectives, which then meant that that the objectives did not reflect the whole of an individual’s job. These also allowed management to ignore the process of setting objectives relevant to the individual, which organisations were so keen for them not to do. The fact that organisations like Bank Co are staffed by managers who were already very self-motivated because of the status that the positions they held meant that, for most, the money side was secondary. Yet the fact that they were treated as if they did not understand their jobs caused much resentment.
The reason why organisations were experiencing such problems with their pay schemes was because they were attempting to address so many different issues through the schemes. For example, in Engineering Co, unlike the other three companies, the scheme was mainly about the right to introduce more flexible working practices and less about giving staff objectives. It was also about individualising pay relationships, yet at the same time, it was introducing team work which indicated an element of collectiveness. Thus, all the companies had two main contradictory relationships running through them. The first was that around the relationship between individualism and collectivism. The second, a little talked-about phenomena, was the combined standardisation of jobs while at the same time seeking flexibility.

Rubery (1997) argues that what distinguishes the changing job structures of the 1980s and 1990s from those of the past is that the growth of job specific requirements and competences are part of changes away from those based on strong occupational identity. Rather, the notion of the flexible career is being promoted along with the notion of individualism. For many organisations, a change in their payment system was a central part of this individualisation process. Brown and Hudson (1997) argue that organisations are reacting against previous payment systems to which they had been shackled by unions, and instead they are experimenting with forms of PRP. While this was true for the organisations in this thesis, the process was not so straight forward. For as Brown and Hudson (1997) themselves argue, managing pay on an individual basis is certainly no simpler than managing it through collective bargaining.

10.3 The politics of pay

10.3.1 Individualism versus collectivism

Crouch (1993) argues that as part of the return to the doctrine of orthodox economic theory, there is a new kind of mass individualism based on an ‘exit’ type of market. It is the mass individualism and not so much the exit type of
market which is significant here in that the 'mass' signifies that everyone is the same, while 'individualism' means that everyone is to be treated differently. Thus, the inherent contradiction is summed up in a single concept.

Taking this a stage further to the application of PRP, when introducing and working out new routines of organisational structure and stability control, the question of effort and wages becomes unavoidable, and a bargain over new notions of pay and effort usually follows. In the past, it is this bargain which has usually been responsible for the supposition that workers and their institutions are irrational or hostile to all technical or organisational change (Baldamus 1961), as resistance is usually perceived to be against the interest of the organisation, which 'knows best'. It is usually this factor which leads organisations to want to individualise the employment relationship. Yet, if, as Brown and Hudson (1997) argue, a change in pay system is a central aspect of introducing the individualisation process, then it is equally true that organisations would only want to follow the individualisation process through if they thought that employees would resist change. This is because there is also the need to keep the 'mass' collectively consistent. On the other hand, if workers did not resist change, then there would be little purpose in individualisation for the sake of it unless the organisation felt that there were other benefits. Thus, change may be one goal but individualisation is another matter altogether.

The assumption of individualism in pay is that if effort can be brought down to the individual level, it is easier to measure and enables the payment of appropriate subsequent levels of reward. This, for some, leads to the assumption that the collective means of representation is seen as inappropriate. The fact of the matter, however, is that collective rules and regulations are still highly appropriate and it may well be the case that there are transaction costs benefits for organisations in offering uniform non-pay conditions (Brown and Hudson 1997). Organisations might want to individualise the pay relationship while retaining the collective element of rules or they may just want the right to do as they please when they please. This means that when an organisation changes its relationships
of the past with the unions, the outcome will largely depend on how the organisation viewed the role of unions in the first place (i.e. their past experiences and future expectations). If they can win power over the bargaining relationship while maintaining union's consent, the role that the union might play in maintaining the consistency of implementation means there is no need for the organisation to attempt to rid themselves of the union. This may account for the fact that unions have been marginalised in pay, while they have maintained a presence and even a strength over certain non-pay issues in the workplace. This was certainly indicated by the finding that despite the fact that only five organisations involved unions in the design of their schemes, there were 13 organisations that involved the unions in the administrative process of the scheme. Further, even in Engineering Co where the unions had more bargaining power, management still saw an advantage to making concessions to the unions. It may also be that the benefits of flexibility involved with these systems off-set the transactions and other costs of moving away from bureaucratic structures (Rubery 1997).

It was highlighted in chapter two, however, that organisations were struggling with the distorting effects of attempting to simultaneously individualise and develop their internal labour markets. 'By minimising the status of workers as members of the enterprise and relying on contract as the principle instrument to define the terms of exchange between employer and employee, neo liberalism permits enterprises to have recourse to the external labour market for increased numerical and functional flexibility' (Streeck 1987: 293). Yet organisations have also developed internal labour markets, seeing them as a means of containing opportunism and contributing to efficiency (Edwards 1990).

One of the problems is that the focus on the individual as the unit of work through PRP means that the collective and social elements of the work are left hidden (Townley 1989). This need to simultaneously internalise, standardise and provide flexibility was noted in all of the case studies.
10.3.2 ‘Standardised flexibility’

In most of the case study companies, and certainly in those involved in the ethnographic case studies, there was a great deal of standardisation of jobs. On the surface, employers were no longer looking for skills in terms of broad range, but rather, those utilised individually on the job (Regini 1995). In reality, employees were utilising a broad range of skills in covering for other jobs, but were only being paid for those in their performance contract. Thus, the development side of the contract acted as a means of absorbing knowledge from employees as they discussed what they had to do each year, while the contract was based on a standard job gauged on the application of new measurement norms which may have been inaccurate anyway.

Mostly this standardisation was brought on by the application of new technology and new product ranges, but also by organisational decision-making. For many, the fact that more complicated computerised measurement systems existed, meant that the organisation also thought the performance management systems were highly appropriate for the purposes of standardisation. The problem was that the measurement systems were only as good as the information fed into them. This is a crucial factor. The concentration on ‘paper efficiency’ gave organisations the illusion that what they were measuring and monitoring was accurate. Yet while they were highly efficient at recording facts and figures, what they could not do is identify how tasks were performed. This was extracted by appraisers through the performance review and objective setting processes.

There was a greater division of labour and standardisation in all but Engineering Co. Here, the emphasis was more on being able to cross demarcation lines rather than narrowing them. Hawkins (1978) argues that traditional craft norms of custom and practice make it very difficult for organisations to change their norms. Yet in Engineering Co, job specificity was internalising employee norms while PRP enabled the organisation to change roles and make them more
specific. It could be claimed that this job specificity was a form of standardisation in itself.

This led to changing norms, in that all the case study organisations comprised jobs that were becoming very much job specific to these organisations. This is much more complicated, however, than the process of deskilling portrayed by Braverman (1974). While jobs were being standardised, it is not apparent which were being deskilld or upskilled. In Engineering Co, job content seemed to be enlarged at first sight in terms of the amounts of skills used (i.e. multi-craftsmen). The fact of the matter, however, was that skills were becoming more job specific, not only to the organisation but also to the various departments. In other organisations, as new products developed they required differing types or amounts of knowledge and skill. The only thing which can be said with some certainty is that because the jobs were becoming more standardised around particular roles or products they gave the impression of being more easily measured.

Because in many of the cases the jobs and the work organisation were in a transitional phase, however, thus, it meant that employees were covering more than one type of role. This problem was intensified by the fact that the organisations were downsizing, usually before the transition was complete.

**10.3.3 How can we conceptualise what is happening?**

How do we conceptualise what all of this means and how it links to PRP? The starting point is to look at the relationship between effort and reward. We have already mentioned that the employment relationship involves a double contract in which the employer purchases an amount of labour power, and then has to find the means of transferring this into actual amounts of labour. (i.e., amounts of effort). Baldamus (1961) argues that there are two elements to the pay rate package: one is the rate for skills and experience on the job, the other is the rate for the amount of effort. It is this second element which is the more
problematic of the two, causing recurrent disorganisation in effort and reward. The problem is that effort contains such subjective elements that it defies rigorous definition and measurement. Also, it would be far from true to say that effort is a constant throughout time, and this could force us to ignore that organisations have to apply different methods of administrative control in order to extract employee effort (Baldamus, 1961). This means that there not only has to be an 'effort bargain' but also a 'process bargain' to establish the basis and administrative rules of the relationship.

**Effort Bargain**

Every employment contract involves a bargain to decide how much effort is required and how much is utilised. It has been customary for the basis of this bargain to revolve around three factors: custom and practice, formal standards and the conflictual tension between the two (Littler 1982). Systems like scientific management are aimed at making the notion of the effort/wage bargain more transparent and changing the basis of custom and practice in favour of the organisation. For this to be the case, there has to be a normative basis to the levels of effort built into skills and occupations. Thus, there must be some relationship between effort and control in the minds of those involved in the bargain. The objective of the various parties involved is to guess as consistently as possible the purely subjective element of effort standards, and subsequently to adjust rates of pay in accordance with them (Baldamus 1961; Littler 1982). Baldamus may have had piecework in mind, but PRP may turn this on its head in that it keeps pay rates relatively consistent, while giving employees the impression that they can adjust their effort to gain more. Technical tools such as computer systems are thought to make consistent the guesswork on effort intensities and to make it easier to establish these customary norms. As Edwards (1991) argues, however, custom only becomes practice when it ceases to be an understanding and becomes a right to be insisted upon. Thus, a bargain must take place to establish custom.

One of the main problems, as noted above, is that if there is a further division of labour and job roles are fractured, then there are no longer any
customary standards. Yet, it is equally true that if jobs are purposely changed then it may allow a redefinition of effort levels to suit. Thus, there may be a dual purpose in which some effort norms have changed due to restructuring while some restructuring may also be specifically aimed at changing effort norms. This has led Baldamus (1961) to describe the bargain as involving effort stability controls (criteria of employee performance in order to guess the effort needed) and effort intensity controls to increase degree of effort. PRP involves both these elements.

With PRP, at best, workers are thought to be stimulated by the knowledge that output is expanding. At worst, however, it can mean constant intensification. The fact that there seems to be a rule that rough guesses of effort usually provide sufficient guide for administration (Baldamus 1961) is utilised in PRP to generate norms. Knowledge of effort levels based on this are then utilised in order to intensify effort.

Process bargain

If we combine this process with the increasing use of technology and job standardisation, this means that the control of effort via the use of incentive schemes such as PRP also requires other specific devices for administrating such schemes (e.g., HRM).

Littler (1982) implies that the process is all about identifying effort levels and then trying to formalise these into standards. For some organisations, in the past, piecework was an example of an attempt to reinforce effort levels under a previous system of employment regulation. The problem with that system was that employees found ways of restricting output. Output restriction was based on fears of rate cutting and these fears were fed by past experience of such. In an arena of mistrust, therefore, management were faced with the problem of lack of observability. The same was apparent with PRP over objective setting. This highlights the fact that effort controls are heterogeneous and cannot be confined to particular modes of control.
Supervision is one means for equating worker's effort and price at an equilibrium, as are other management techniques. All have in common the fact that they were utilised in order to aid the stabilisation of the average level of individual effort over time. It is this stability function of effort control which appears as a separate mechanism from any market mechanisms (Baldamus 1961) which may be at play and which is usually more commonly recognised as the system of administration.

Hawkins (1978) argues that changing times forces the various parties of industry to require a change of norms. The past norm of effort, based on a fair day's work is now being challenged via PRP and requires different administrative processes to establish new norms. While it is usually argued that the right to manage is never challenged, unless disrespect is shown for customary norms, it was management who were challenged by new processes such as PRP, as well as employees. In all three companies using performance management systems, there were dual cultures which signalled a transition from one set of norms to another. The 'cold' sales culture was becoming prominent, along with the old culture of the 'customer is always right'. This was despite the fact that the cold sales culture was built on the rhetoric of customer service. Yet, in reality, those employees who had the 'customer is always right' mentality, were considered to be too soft and not sufficiently motivated. Thus, it was not the emphasis on customer service which was important, but rather, the ability to portray the customer as being important. This was the behaviour that organisations like Retail Co were attempting to reinforce through objective setting. This highlights the fact that while organisations place a large emphasis on profits and the illusion of success on paper, they also realise that while they push hard, they need to gain the consent of the customer for what they are doing.

A final element in the process bargain is that employers can no longer achieve loyalty through the provision of deferred pay and long career ladders in a context in which there is increasing uncertainty over the survival of jobs and institutions. Employers have to respond to changes in perceived risk attached to
traditional internal labour market structures, even if these responses involve them in increased costs (Rubery 1997). The attraction of PRP in offering the illusion of empowerment must be extremely attractive in these situations. However, the rhetoric of delegation and decentralisation may help to disguise an enhanced surveillance and concentration of power at the centre. (Newton & Findlay 1996).

10.4 Bargaining, uncertainty and power

10.4.1 Renegotiation of effort and control

What the above implies is that faced by crisis, organisations become involved in a renegotiation of effort and systems of control. PRP is one way of achieving this for some organisations. The implication from the work of authors such as Edwards (1979) is that employers move from one mode of control to another and workers can do nothing but resist, at best. Yet the above is not arguing that the 'power is exercised unknown to the manipulated', but rather, it is embedded in the techniques and processes. For example, with piecework, intensity is hidden behind the technicalities of rate-setting, while with PRP, it is hidden behind the process of objective setting. It is thus the change to the systems which causes a search for, and change to, the methods of control and effort. However, employees can quickly learn how to get around these new methods and rules or to keep them where they are beneficial.

The labour process debate has now moved on from earlier attempts to identify universal management solutions to problems of labour control (such as through deskilling). It is now acknowledged that management have, at their disposal, a wide range of mechanisms through which control can be sought. PRP is thus one such important mechanism in management’s armoury (Newton and Findley 1996). It was also highlighted that management themselves were not immune from this process with the use of PRP.
10.4.2 Consent, compliance and control

This section will discuss the way in which the organisations sought to control management, the effects this had on employees and the ways in which employees (including managers as employees) were able to distract the organisations, control objectives by learning the rules of the game.

Management

While some may talk about the proletarianisation of middle management (Braverman 1974), others (Armstrong 1989) prefer to talk about struggles for control within capital, reflecting the tensions and contradictions in the agency relationship. In other words, employers and senior managers are inescapably dependant on other agencies to secure corporate goals and policies. A focus on competing agencies and professions also emphasises the specific historical bases and differences in the development of management theories and practices (Thompson and McHugh 1995).

Management performs dual functions as both the controller and the controlled, and as such, is not immune from the displacement process affecting workers. As Streeck (1987) argues, economic crisis causes strategic problems and the need for flexibility. The competitive process has led to radical alterations to organisational structure and employment conditions with the consequence of aggressive attacks on staff and organisational management in an effort to reduce overheads (i.e., paring down of corporate size and greater centralisation). Reductions in layers and so forth allow management to regain and maximise control over the production process (Thompson and McHugh 1995). Yet this does not mean that organisations set out to look for new systems of control. They may seek to solve their competitive problems by restructuring the organisation for competitive advantage and then find that they need to look for new processes to fit in with their restructuring.
Management strategy

Performance management is portrayed as part of a larger strategy tying in an organisation's goals throughout the whole of the organisation. The idea of strategy as been much debated, but as Thompson and McHugh (1995) argue, the concept can still be of use if we recognise the fact that there can be variations in the goals and environments, while still recognising, as Hyman (1987) notes, that there is no one best way of managing these contradictions but only different routes to partial failure. As such, we also have to recognise that there is a whole set of internal and external factors which play a role in the strategy, along with product and labour market factors, technology and employee resistance. Thus, strategy can be undermined by many different elements and the varied objectives of different groups, only making possible its achievement through a bargain with management, workers and any other associated elements. Organisations cannot merely control while workers resist.

Rules of the game

This introduces a further element. Employers have to attempt to control workers' effort levels, while at the same time, realising their creativity. Workers, in turn, have an interest in avoiding their own subordination but also need to cooperate with employers because they rely on them for their livelihood (Edwards 1991). This is clearly highlighted with PRP in that objectives attempt to tie employees to the job while the language of agreed contracts and development aims to give employees the impression that it is 'their scheme'. Employees, in turn, clearly accept parts of this arrangement because it gives the impression of an amount of control over the way they work and status.

Within the bargain over control of work organisation, even where workers do not agree with parts of the process, they can always find ways around rules which help as well as hinder the production process. One example is Burawoy's (1979) 'playing the game'. Another is the fact that employees may even bend the rules to increase production where it suits them. The managerial aim of a steady flow is only subverted when managers insist on imposing their own formal rules
instead of permitting workers to interpret them (Edwards 1990). This applies to
the objective setting process with PRP. Managers also often tolerate a bending of
the rules because they realise that is the only way to get work done (Edward
1990).

Thus, Burawoy's (1979) 'playing the game' and 'making out' are
particularly relevant to PRP, given its emphasis on management strategies aimed
at eliciting a measure of voluntary compliance (e.g., appraisal can be seen as a
process through which previously collective issues, such as performance levels
and allocating pay increases, are transferred to the level of the employee and their
supervisor (Newton & Findlay, 1996)). Workers are often aware of the attempts
to reshape their attitudes through objectives but they sometimes realise that
relative gains are to be made by complying. There is, therefore, a need to
acknowledge the propensity of employees to resist the normative influences of
schemes like PRP as well as complying to them (Newton and Findlay 1996).

In Smith's (1991) study, middle management actually 'played' with the
ranking so that they could distribute the pot so as to avoid a crisis of control and
consent. This was also the case in the case studies here. Managers aimed to be
fair by attempting to award performance pay to those who were not likely to
achieve the promotion they might have otherwise done under past systems. They
also played games with the rankings, which further served to highlight to others
the subjectivity of the whole process. Higher management also used it as a source
of control over lower management by inducing their participation in re-ranking,
suggesting that if they did not go along with the game, there would be worse
personal outcomes for them.

10.5 Does this mean the identification of an all embracing mode of control?

The above attempts to highlight the fact that organisations faced with
increasing competitive pressures have been attempting to renegotiate systems of
control and effort. PRP is but one element of this for some organisations. What
this thesis is not attempting to argue is that this is a new mode of control following from Edward’s, Friedman’s or even Burowoy’s categories. Others have already warned against the labour process being seen as though capitalists have a common and clear sighted view of their control problems and the best way of overcoming them (Nolan and Edwards, 1983).

Representing control and reactions to it as homogeneous is dangerous and misleading and leads to labour control systems becoming the sole focus of crisis. The case study organisations were attempting to use many types of control and had been using them in various combinations for a long time. There was no automatic historical progression from one mode to another and no one best way. Rather, each organisation struggled with its own historical consequences and present context, against a backdrop of changes used by itself and other external factors.

Burawoy (1979), for example, shows how restriction of effort cannot be taken as a straightforward indice of resistance. Employees may be co-operating in their own exploitation by ‘playing the game’. Similarly, Smith (1990) highlights that this process is also present for management in that they can either manage themselves up or manage themselves out. Capitalists may want control but they also rely on employees to cooperate in production.

What is being argued here is that PRP can be viewed as a convenient tool by organisations, given the economic and social pressures they face. Organisations used PRP in different ways to gain differing methods of control with the outcomes being indeterminate. What was identifiable is that all were being used as an element involved in a new effort bargain. Like Burawoy, the case studies highlighted how the nature of management had changed and that once placid managers put pressure on others when themselves faced with it.

For Burawoy, the game does not always involve a changing of the rules but it may stay constant reacting to circumstances as they happen. It is not
'workers against management', but rather, worker against worker and manager against manager. The game can be played individually, collectively or both. Although the game is an attempt to control the effort bargain there is no achievable equilibrium point to be reached, however, in that way the game is not played between two players.

While not disagreeing with the basic tenets of Burawoy's ideas, the fact still remains that there is an air of coherence about the process for him, whereas the examples in Chapters Six to Nine show that people refer to what they do as playing the game, yet the experience for each individual is different because they bring to it their own set of social and organisational experiences.

Burawoy attempts to move away from the game being the spontaneous, autonomous creation of workers, to the other extreme, by saying that they are regulated by management. However, both occur. So the game is not about the establishment of rules, but rather, the conflict over them. The fact that pay is involved makes it all the more problematic because the involvement of the means to subsist meant that the conflict is between all parties, not just employers and employees. It also means that in the case of PRP, the conflict over effort for employees was not just about finding new norms but in stopping these norms from increasing. For example, piecework concerned the payment of people for the amount of work they did (although decelerating models worked against this). Nonetheless, they were still based on the principle of Taylorism: that the extra effort should be shared out. With daywork, pay was based on the idea of expected amounts of effort for predetermined amounts of pay. PRP, on the other hand, is about paying people for an increase in their performance (e.g. if productivity stays the same then they do not get the money).

Streeck's (1987) argument about economic crisis and the search for innovative strategies is that a continuous process occurs until best practice is found. Yet there may be many types of best practice. It is also the case that employers pick up innovations as best practice and try to incorporate them into
their own strategies. Given that there are only ever a limited number of strategies this may be why we get 'cycles' of activity such as pay (Kessler and Purcell 1992) and participation (Ramsey 1991) (i.e. the same strategies may be attempted but with different emphasis):

While it is highly plausible that choices of markets, product ranges, technology, work organisation, labour input and institutions of industrial relations are somewhat interlinked, how best to match them is difficult to say beforehand and remains largely a matter of practical experimentation (Streeck 1987: 285).

This is precisely how best to conceptualise PRP. Rather than viewing the schemes as not working because they do not motivate, it is better to view their continued use in terms of the above. In this way, their outcomes are indeterminate in terms of long term performance even if there might be certain benefits in the short term. That the schemes change so rapidly tends to point toward the fact that in meeting one objective, they produce yet another set of problems. In solving either the effort bargain or the process bargain, norms become established, then challenged and the whole process begins again. From this point of view, as Rubery (1997) contends, they might well cost dearly in the long term if organisations do not become aware of the fact that they have to think very carefully about exactly what it is they are attempting to achieve. There is no short term solution to the employment relationship only a continuous bargain and renegotiation of employee relations.

10.6 Relevance for policy and future research

The relevance for policy from this research can be explained under four main headings. Firstly, there is no definable effect on performance. Secondly, the schemes have a negative impact on employees. Thirdly, there are effects on management as agents of restructuring. Finally, there exists the effects on pay and grading structures.
It was highlighted that because objectives were so vague and the standardisation of objectives was often concentrated on issues which were not specific to each individual job, dual effects were present. On the one hand, employees concentrated on the objectives to the detriment of other aspects of their job. On the other hand, they might ignore objectives which were considered important by the company to complete those aspects of the job which they themselves felt were more important. This means that the effects on overall performance are indeterminate, especially if managers' views coincide with those of employees in general. At one extreme they might have a positive impact in the short term, with unknown long term effects. At the other extreme, the impact might be wholly negative. The fact that organisations have no way of measuring performance, nor do they seem bothered with finding one, brings into doubt the effects of the schemes.

It is difficult to imagine how long term performance can benefit when the schemes seem to have such a negative impact on employees. In all four case studies, employees were inundated with change. PRP was, at best, irrelevant in these circumstances, and at worst, extremely demotivating. Many employees considered that their workload had intensified tremendously. In such cases as performance management, employees often felt that they were too busy doing an 'ordinary day's work' to bother with the objectives.

For managers, these processes had a double impact. Managers were not only the wielders of the 'stick', they were also the recipients. Managers could not win. When they demanded guidelines and objectivity, they had no room to make personal decisions. When they complained about too much standardisation, they were faced with problems of subjectivity. Which ever way they turned, management felt that they were being devalued as decision makers. Their own roles were tightly constrained by the limits of their objectives or targets, whilst simultaneously, the organisation portrayed the process as being an autonomous one. Managers were given tight financial and budgetary objectives and then left to deal with these within the confines of certain central rules and regulations.
One of the consequences of this, it was argued earlier, is that PRP schemes were producing a greater degree of differentiation in pay. Broad-band grading structures, introduced to slow down progression through the grades, made this all the more possible. Again, this produced a contradiction borne of two dilemmas. One was the need to slow progression down, the other a need to give more scope for progression in any single grade to compliment the lack of promotion opportunities brought about by the thinning of management layers. While it is too early to judge the full effects of this process it seems quite feasible that over time, there is likely to be a greater growth in differentials, even between those carrying out the same functions.

What does all this mean to the practising HR manager? One meaning is that one has to give a great deal of thought to such schemes before their introduction. PRP is not an automatic performance improver. Organisations have to take stock of what they are attempting to achieve as an whole. PRP cannot just be tagged on as an after thought. It is also no good playing lip service to those parts of the schemes which are thought to be giving autonomy to employees. If the scheme is supposed to be about agreeing objectives, then this is what it must do. This means that management structures may have to change further so as to create an element of trust between work groups. Finally, schemes must be much more transparent. If they purport to pay employees for their performance then this is what they must do. One way of doing this could be a bonus system. For example, managers in Bank Co. seemed to prefer the option of awarding PRP bonuses even where they were concerned about the non consolidated element of this system. Importantly, organisations must begin to recognise the conflictual nature of the employment relationship. While co-operation between employees and employers is an amicable goal, there will always be conflict within organisations. The quicker that companies realise this and learn to live with it, the more they will begin to understand employment relations.
This thesis has highlighted the complexities of PRP and the fact that, conceptually it can be examined with greater analytical foresight from a control perspective than the usual starting position of whether it is motivational or not. This in itself has highlighted that there are still areas of PRP which require further investigation to enhance our understanding of it. Not least of these is the need to research fully the systems in place in individual firms to assess how they react with other features of change on a longitudinal basis (i.e. examine the processes of change). Secondly, and related to this, is the need to examine exactly why firms continue to use such schemes when faced with the fact that they are not working. Lastly, but not least, is the long term effect of such schemes on actual performance and productivity. Of course the examination of all of these factors would be helped by the collection of a larger amounts of survey data on PRP. Hopefully, the forthcoming Workplace Employee Relations Survey will assist in this direction.
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