Canterbury Business School

Working Paper Series

The Characteristics of Performance Related Pay Schemes

Dr Mark W Gilman
Canterbury Business School

CBS
UNIVERSITY OF KENT

Working Paper No. 59
March 2004

THE CHARACTERISTICS OF PERFORMANCE RELATED PAY SCHEMES

Mark W Gilman

Dr M W Gilman
Canterbury Business School
University of Kent at Canterbury
CT2 7PE
Tel: 012227 823797
E-mail: m.g.gilman@ukc.ac.uk

Abstract
Despite the growing amount of literature on performance related pay (PRP) schemes there is still very little, which examines the organisation of the schemes on a comparative basis. This paper does so by examining the nature and characteristics of those establishments with PRP schemes from the WIRS90/WERS98 data followed by an examination of the schemes of 16 different companies from various sectors of the economy. The examination of the WIRS data highlighted certain distinctive features portrayed by establishments with PRP. A closer examination of the schemes, however, highlights that similarities on paper disguise many of the practical differences, while the similarities in practice are masked by the different rhetoric and terminology utilised by the companies.(112 words)

Introduction

Arguments concerning PRP usually revolve around whether the schemes actually work or not. Very little work looks at the organisation of schemes in order to highlight any similarities or differences. In order to understand their purpose and whether they are successful one must first understand the subtleties of such schemes. Building on attempts at generating richer material on the operation of PRP schemes (Kessler & Purcell, 1992) this Paper aims to do just that by:

- examining the patterns of use (i.e. the characteristics), and
- examining the structure of schemes (i.e. the detail).

In doing so the paper will also seek to address the nature of PRP as an integrated part of HRM systems. It will achieve this by firstly examining data from the Workplace Industrial Relations Survey 1990 (WIRS90) and the Workplace Employee Relations Survey 1998 (WERS98). It will 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. 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. 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 (see Storey and Sisson 1993).

Being linked so closely to HRM one would expect to see certain features and identifiable differences present within establishments utilising PRP. For example, products and markets have a significant role in the type of control strategies

utilised by organisations (Edwards 1986). Is there a change in the organisation and its work reflecting the fact that employees become valued and flexible members of the company; a consequent individualism of the employment relationship relying more on consultation mechanisms and less on collective bargaining with trade unions; a change in the organisations administration systems to reflect the above; and finally, if everyone is pulling in the same direction are there any indications that such companies have better relations at work and above average performance? The analysis produces results that highlight some distinctive characteristics about establishments utilising PRP.

Secondly, it will examine the main characteristics of schemes in 16 case study companies and the circumstances under which they have been introduced or developed. Unravelling a trend towards performance management highlights some marked differences in the ways that schemes are utilised and applied. The emphasis is on highlighting that schemes are very much related to each organisation socially and historically and are therefore bound by the organisation. This means that, in contrast to the prescriptive literature and despite the promotion of 'off the shelf' packages by consultants, PRP schemes work differently and have different contents.

The average PRP establishment?

Defining PRP

It is still unclear exactly what PRP is and how it varies, if at all, from company to company and from sector to sector. PRP has obvious similarities with Payment by Result (PBR) schemes, but whereas PBR is measured by fixed output norms

(Brown 1973), PRP is measured by the attainment of previously set objectives or targets. Through these, effort within PRP is reconstituted to embrace not just levels of output, as is the case with PBR, but also the quality of that output, the level of discretion and initiative exercised by the individual. As such PRP involves an element of subjective evaluation of performance. 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 organisations' objectives for sustainable competitive advantage are highly attractive to employers.

Performance can be determined via the individual, the group, or the establishment, although the latter two are relatively unusual since incentive is thought to be much stronger when applied to the individual. Individual PRP can also be determined in various ways ranging from progression through set pay bands based on the attainment of certain criteria or performance targets/objectives to variable bonus payments that are utilised to target money to high performing employees. Sometimes more than one type can run simultaneously.

Despite the simplicity of its title PRP is extremely difficult to define. Useful characterisations available 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 & Purcell 1992).

> A means whereby ‘an individual's increase in pay is determined solely or mainly through his/her appraisal or merit rating’ (Swabe, 1989).

Storey and Sisson (1993) also differentiate between individual PRP that is measured through output criteria and merit pay that is judged on behavioural traits. From these we can characterise PRP by the linking of an individual's increase in pay to an appraisal of their performance against the use of a set of predetermined criteria based on objectives, behaviours, competences or some combination of the three. Usually, but not always based around a coherent grading structure.

PRP is argued to have all the strengths and none of the weaknesses of other schemes. Individually based, a rewarder 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.

Characteristics of PRP companies?

Despite the popularity of such schemes no clear picture has been arrived at as yet in terms of the characteristics of the type of company that 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 WIRS90 and WERS98[1]. In addressing these questions, 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 following analysis includes only those results that were highly significant, at the one per cent level.

[1] Original detailed analysis was carried out using the WIRS90 data. Since then the WERS 98 data has been analysed to see if there were any major differences. Differences in question design, however, prevent direct comparision.

It should be noted that in both sets of data original variables that were supposed to reflect PRP produced discrepancies. The fact that two major employee relations surveys fail to encompass types and characteristics of PRP within a related set of questions highlights a serious deficiency in our knowledge of payments systems of the 80s and 90s. In WIRS90, the authors note that:

> "There must be some doubt that the results fully reflect (*the distinction between PBR and PRP*) and a suspicion since it was asked about last, that merit pay as been under reported" (Millward et al 1992; 261).

Because of a double-barrelled question, the authors advised that a combination of two variables – one concerned with individual PBR and another with Merit pay - would provide a more reliable figure.

Despite changing the questions in an attempt to overcome the problems in WIRS90 it would seem that WERS98 also failed in identifying a clear enough definition which allowed it to capture the full extent of PRP. Based on the definition established above two sets of figures could be classed as PRP. The first were establishments who answered positively to the question 'do you have an individual or group PRP scheme'? The second included those who answered positively to having appraisal schemes that determined all or part of a pay increase. I therefore created a joint variable to reflect both of these factors.

Despite these problems the data produced clearly identifiable features for those establishments with PRP. Of establishments with PRP, three-quarters are located in the Limited Company trading sector and just under a fifth are in the public sector. PRP is concentrated within large multi-establishment organisations

of which two-thirds are MNCs. The majority are UK-owned, but PRP is much more likely to be present in foreign owned MNCs. Although total numbers of employees affected by these schemes are unknown, four-fifths of establishments with 1,000-plus employees have PRP, while at the other end of the scale, only a third with 25 to 50 employees have PRP. This indicates the probability of PRP being related to the size of the organisation. The PRP establishment is also 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. PRP establishments therefore had many customers and competitors and demand for the product was more likely to be sensitive to movements in prices. Thus the majority of PRP establishments seem to be in highly competitive markets.

Table 1 highlights the extent of PRP by occupational group, confirming the likelihood of PRP being related to hierarchy within these establishments. More importantly it shows some significant differences in the extent of PRP depending on what measure is utilised. As mentioned above the 'min.' set for WIRS90 and WERS98 highlight the minimum amount of PRP captured by direct questions in the surveys while the 'max.' set highlights the coverage from the 'joint' variables. While in the first set of data the percentage differences are no higher than 12%, and the hierarchy hardly changes, within the second set of data there are some much larger anomalies. These anomalies reflect not only misunderstanding concerning the nature of PRP but also the growing transformation and apparent harmonisation of grading and reward systems within organisations.

Table 1: Occupational group by PRP

Occupation WIRS90	WIRS90 (min)%	WIRS90 (max)%	Occupation WERS98	WERS98 (min) %	WERS98 (max) %
Unskilled manual	10	19	Routine & unskilled	20	48
Semi - Skilled manual	16	28	Operative & assembly	24	55
Skilled manual	22	34	Sales	35	62
Clerical/Admin./secretarial	31	34	Personal services	8	38
Supervisors	32	37	Craft & skilled manual	25	56
Junior technical/professional	29	36	Clerical & secretarial	28	54
Senior technical/professional	31	37	Technical & scientific	27	55
Middle/senior managers	40	46	Professional	14	35
			Managers & Snr. admin.	23	46

Base: all establishments in WIRS90 & WERS 98, N = 2,061 & N = 2,191

Transformation within PRP establishments is confirmed in Table 2. It highlights that establishments with PRP were more likely to have introduced new machinery and changes in working organisation/practices that reduced job demarcation or increased flexibility.

Table 2: Any of the following types of change

		PRP	NPRP
A)	**The introduction of new machinery or equipment**	**68%**	**49%**
B)	**Substantial changes in work organisation or practices, not involving new machinery or equipment**	**48%**	**34%**

Base: All establishments, N = 2061

Yet these changes in working practices were not aimed at all employees within the establishment. Of those establishments who were only changing working practices for some employees, this was so particularly within the white-collar

sectors of establishments. 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%.

PRP establishments were more likely to have experienced reductions in the workforce due to automation or new machinery and changing employment practices and to have reduced the workforce through the redeployment of staff. Also the use of performance as a means of 'managing staff out' (Smith, 1990) was more prevalent in PRP establishments. Not surprisingly, then, PRP establishments were also more likely to think that management relations with employees were poor. 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 around the effort bargain (Baldamus, 1961) and a search for change.

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 concerning whether PRP was leading workers to seek protection or whether it was the nature of the type of restructuring happening within the establishment (i.e., white collar restructuring). Despite Guests (1995) findings that in establishments with greater than 50

employees the presence of unions is associated with less use of PRP, PRP establishments are likely to have more then one union present and 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.

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. This is in opposition to the portrayal of employees being integrated into the organisation as valued elements of production (Storey 1995). Despite being more likely to have meetings for teams or groups over quality circles these took place only once a month and systematic use of the 'management chain' was still prominent casting doubt on levels of autonomy. Although more likely to give out information to staff about general company issues PRP establishments were less likely to give information about financial issues.

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. 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 budgetary control was more important to the central organisation (Smith 1990) than industrial relations decisions.

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 analysis above provides a picture of large organisations that are faced with highly competitive markets and are making sweeping changes to their work organisation and administration processes. Autonomy was identifiable but only within tight financial constraints and old management structures remained side by side with the new. 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 collective structures per se. The main changes between 1990 and 1998 were that consultation is far more prevalent and

establishments have experienced reductions in total unions recognised and density levels. There also seems to be far more direction from the centre over IR/HRM issues, although there is still autonomy over how these issues are applied. The 1998 survey gives rather more credence to an HRM approach but even here the picture would seem rather more ad hoc than strategic. The 1998 survey also does much to confirm the confusion over how to assess what PRP really represents i.e. is it one type of scheme or many different types? Obviously, the above cannot say anything about 'detail' but does give an interesting starting point from which to progress with the examination of the organisation of PRP. One way to assess schemes in more detail is through a case study methodology.

The case study companies and their schemes

To determine the nature of schemes 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. The companies also provided documentation about their schemes. Some people were interviewed more than once over the research period (1994-97), thus giving it a longitudinal aspect.

Table 3: Case study companies

COMPANY	LINE OF BUSINESS	EMPLOYEES	OWNERSHIP/ STATUS
Electric Co	Manufacture of electrical components for the telecommunication industry	503	US. Subsidiary.
TV Co	T.V. and Radio	23000	UK. MNC
Bank Co	Banking and Finance	89400	UK. MNC
Retail Co (Eng. Co.)	Retail chemists	81260 (500)	UK. MNC
Air Co	Airline company	58210	UK. MNC

Insurance Co	Insurance and Finance	2870	German Subsidiary.
IT Co	Information technology/Computer systems	1777	UK
Public Agency Co	Public services	36793	UK
Health Co	NHS Trust Hospital	2022	UK
Public Co	Public services	52252	UK
Tyre Co	Tyre/Exhausts	5530	UK MNC
Building Soc. Co	Building Society	10815	UK
Car Co	Car service/sales	2764	UK
Manf. Co	Manufacture and fitting of underwater Telecommunications systems	880	French Subsidiary.
Pharm. Co	Pharmaceutical manufacture	53808	UK MNC
Oil Co	Oil producer	2652	French Subsidiary.

Table 3 lists the 16 companies that took part in the research. The companies were selected, using the WIRS90 data, by establishing sectors where PRP was prominent and then randomly selecting companies that matched these sectors. Companies were approached to establish if they utilised a PRP scheme and whether they would take part in the research. A great many are MNCs or subsidiaries of foreign owned MNCs and are therefore quite large employers, thus confirming the findings from the WIRS90 data.

Initial examination of their reward schemes highlights that there seemed to be no limit to the number of schemes that any company utilises. 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. This seemed to indicate that the companies, as suggested in contingency theory recognised that differences may be needed to address different occupations etc. (cf. Lupton & Gowler, 1969; Balkin & Gomez-Majia,1987). 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 structures with fewer grades but with wider band ranges. There was also a trend towards a single scheme for all employees, thus pointing to a narrowing of the amount of schemes any company used and a convergence of pay schemes within any one company. This could indicate one of three different factors. First, the choice of 'off the shelf' schemes to suit all employees. Second, and related, rather than an individualisation of employee relations an actual standardisation of substantive conditions of employment. Third, an indication of a HRM ideology applied throughout the organisation. In reality, as will be highlighted below, it was a combination of all three.

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, they continued to use them when designing new schemes. The most consistent criticism seemed to be that consultants attempted to push their own particular 'off the shelf' 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 its own line management in the design of its schemes. In most companies senior managers or small working parties designed schemes, 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 that had unions present for at least some proportion of their employees, all of which now took part in these schemes. 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 schemes that management and consultants had already prepared. Unions were usually ill prepared and received little backup from regional or central officials. This was, thus, by no means an equal bargaining relationship with consultants usually presented as 'third party neutrals' rather than in the employ of the company.

The main characteristics of PRP Schemes

The characteristics of each scheme[2] are highlighted in the appendix. It is possible to identify three broad categories of schemes, although in reality many contained mixed elements. First, there were those that resembled PBR rather than PRP schemes; profit-related elements and not an evaluation of performance through appraisal determined the vast majority of their performance-related element. These include Electric Co, Tyre Co and Car Co. All three organisations, however, insisted that their schemes were, in fact, PRP. For this reason 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 (e.g. Air Co, Engineering Co, Insurance Co, IT Co and Health Co). Finally; the rest were based on the principle of meeting objectives. Most of those in

[2] 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.

the second group aspired to a performance management system while all those in the third group already referred to their schemes as performance management.

Despite arguments 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, with many managers complaining that their hands were tied by central guidelines. Common factors involved firstly, no genuine link between pay and performance at local levels. The emphasis being mainly on controlling the distribution of pay from the centre. 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 expect to be rewarded according to their own expectations and not those of the organisation.

Secondly, pre arranged norms to share out the pay pot meant the awarding of more to a minority of above average performers and less to a minority below average with the vast majority described and rewarded as ‘average’. Many of the older schemes contained a wide range of assessment 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. The trend towards fewer grade bandings and wider salary ranges with many smaller incremental steps thus prevented staff from progressing through the salary range too rapidly. All of the schemes also contained a minimum and maximum involving non-consolidated pay increases once the maximum had been achieved. Where schemes involved performance-related bonuses, these were solely non-consolidated regardless of position in the salary range.

Thirdly, determinants of performance were standardised and under the control of central HQ and new norms were set on the basis of the best performer rather than the average performer. Once objectives are exceeded they are incorporated as new norms.

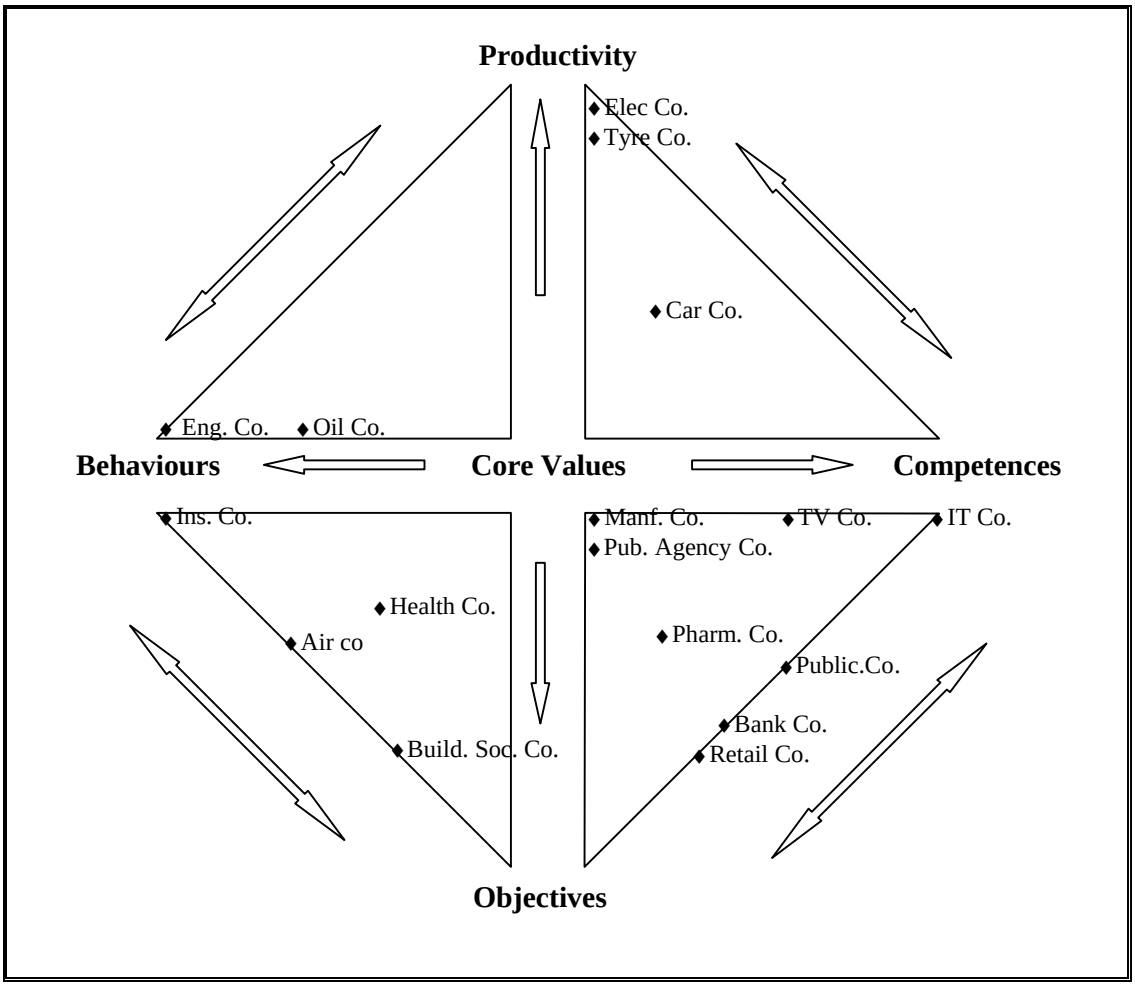
Prescriptive literature, while recognising some complexities, tends to see schemes in neat categories even in the case of performance management (cf. Armstrong & Baron, 1999). The present research also identified three broad categories and some common themes. Despite this the schemes were far from uniform even though most were described as performance management. This was the case for guidelines on ratings, criteria and the performance pay link. In an attempt to portray this visually, two diagrams highlight the assessment criteria and the link with pay. Both diagrams are not based on 'scientific' measurements but rather "the researcher's own judgement based on multiple sources of information"

(Storey & Sisson, 1993). They are a means of visualising the diversity of methods used without having to go through each scheme in detail.

Diagram 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, on the vertical axis 'productivity' signifies those criteria that 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 that state that aspect of the job would be successfully achieved if certain criteria were met. Hence, objectives could be defined as targets, standards or projects to be completed.

DIAGRAM 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 yet another misunderstood buzzword 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 term, however, is problematic and riddled with inconsistencies and lack of agreement over its meaning. Armstrong argues that competences represent the functional aspect while behaviours represent those that affect the job. Antonacopoulou and FitzGerald (1996: p27), however, assert that competences 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' than a set of skills.

The idea behind a competency framework is to develop an accepted inventory of competences so those 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. For example, Bank Co utilised a standardised performance contract based on competences and objective setting while in Agency Co objective-setting was related to the core values of the company while competences where used to define performance.

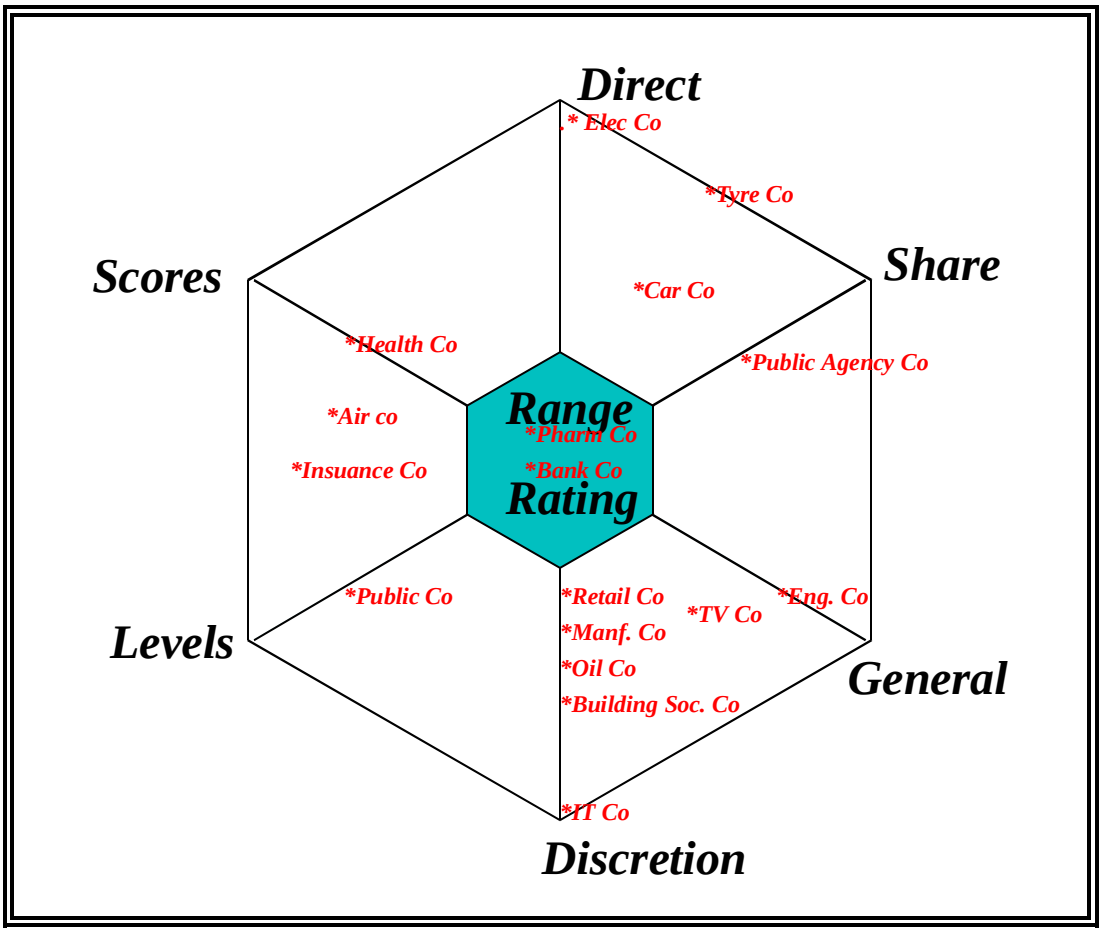
Diagram 2 further illustrates the diversity of means that are then used to relate appraisal to the pay link. Again the main purpose of the appraisal/pay matrix is to show the diversity of schemes. The two categories in the centre of the matrix signify that most of the companies have a rating system and 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 amounts of pay are allocated to certain scores (e.g. Health Co).

DIAGRAM 2



‘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 but they do emphasise the diversity of means available to companies. The following six examples highlight in greater detail how the various factors interacted. In line with the three categories identified above the first example initially resembled a PBR scheme; the next three embody behavioural/competency characteristics; and the final two are performance management schemes.

Car Co.

This was a scheme portrayed as PRP but was in fact based on a number of very different factors and would have been easily mistaken for a PBR scheme. Within the car industry it is becoming more and more important for sales and garage staff to be trained to the specifications of the particular car manufacturers which they attach their dealership to. As such this scheme was introduced as a means of dealing with a specific problem experienced by the company due to the reluctance of salespersons to attend training courses because it represented lost earnings in the shape of less commission (when away from the garage). The new scheme attempted to turn this on its head by associating loss of earnings with lack of training.

The main scheme was the salespersons package. The criteria for higher basic is level of achievement and training and the higher the marks for training, the higher the basic salary. The training centre carry out the actual gradings, informing each garage manager what grade the person has made and what basic he is entitled to. The basic varies between £6,000 to £10,000 so includes quite a variable element. The PRP package also included other elements based on car sales commission and appraisal of performance. For the sales element the pay matrix is slightly different from new to used cars and the matrix is fixed so that the more you sell, the more you get. A similar scheme is in place for business managers and controllers, but the matrix is based on gross profit.

Interestingly the variable element of salary was declining - for managers it had reduced from 50% to 25% - in an attempt to encourage all round performance (e.g. encourage after sales service instead of just selling regardless). The HR director commented that 'The old system with low basic and high commission didn't encourage the right kind of people to come to work for us'. In fact the company were undergoing an experiment in one of its garages where salesmen were paid a basic wage only.

IT Co.

This company had just undergone a management buyout from the original owners. The company is in a very competitive industry in terms of skills and expertise and the poaching of staff is by no means unusual. Therefore a key aim of the scheme was not to pay for performance per se but rather to be able to reward top performers or those in vulnerable areas of work. The scheme was composed of

nine generic competencies: People orientation; Communication skills; Technical ability; Initiative; Planning and organisation/organising; Motivation; Commercial orientation; Leadership/control; and Decision-making. Each has a detailed description of the competence and an example of the two extremes of performance - 'excels' and 'needs development'. Each of these competences are appraised and rated from AA to D and then an overall rating - AA to D – is awarded.

Appraisers are asked to list whether employees are at risk of leaving the company and their importance to the company. This is purely to give a subjective assessment of whether they would need to pay particular individuals additional money to retain them. Appraisers are asked to give a ranking between 1 and XX, number 1 being the person of greatest importance, XX the least. Despite the competency ratings there was no objective way of allocating the money. It was purely awarded to those who the company considered most valuable. Strong objections from employees as to the subjective nature of the scheme have led the company to search for a more objective scheme.

Insurance Co.

This is one of the UK's leading insurance companies. Having passed through the hands of two major conglomerates it became a member of Europe's largest insurance group in the mid to late 1980s. However, the company still operates as an autonomous company with its overall policy decisions determined by 'its own' board of directors.

The company used six basic steps to help determine salaries. The first four are used to establish an equitable salary structure. The final two are used to evaluate job performance and provide pay reviews: Job specification; Job evaluation; Salary ranges; Salary surveys; Performance linked to pay; and PTR (performance and target review).

Each salary range has a minimum, bar and maximum. (Minimum = new employees; Bar = continued/continuing good performance; Maximum = sustained outstanding performance). The Assessment form contains 14 sections which are based within the following six main categories: Job knowledge (1 section); Quantity of work (2 sections); Quality of work (3 sections); Relationship with others (3 sections); Communication (2 sections); and Supervision (3 sections).

All sections require a rating in one of five performance categories:

- Every time 9 points
- Nearly always 7 points
- Usually 5 points
- Sometimes 2 points
- Rarely 0 points

Scores are then totalled in the range 0 - 126. Ranking orders are then separated into performance levels to suit distribution levels necessary to utilise the budget. Each performance level then attracts a different pay increase. Only levels 1 and 2 can progress past the bar point and scores are monitored very carefully. Payments above the maximum come in the form of unconsolidated bonuses, as do payments

above the bar for performance levels other than 1 and 2. A performance and target review (PTR) examines the breakdown of company objectives, above and beyond specifications and a personal development review examines competences and assessment criteria, etc.

Health Co.

This was the first NHS trust to introduce PRP for nurses and midwives and as such were seen at the time as a standard bearer for the promotion of deregulated pay into the public health services. Again this was a very complicated and mechanistic system based on detailed and large 'standard grids' which are supposed to reflect the skills and additional duties undertaken by individuals. In effect it was set up to encourage individuals to carry out additional duties above and beyond those under traditional demarcation lines and working practices for nurses and midwifes.

Standards are assessed in key areas of work - standards grids - and contribution is assessed under each of the following headings:

Unsatisfactory = 0; Expected = 1; Very good = 2; Outstanding =3.

The total score under each heading is taken by multiplying it with a weighting (known only by the Trust), producing a potential maximum score of 300.

It is not automatic that if the majority of your ratings are very good your overall score will be a 'very good'. The number of increments someone receives is dependent not only on the final rating but also position within the pay spine. It is in fact a decelerating model of incremental progression with the standards grids, each with 15 different criteria, carrying different weightings for the different professions.

The 15 standards then incorporate four assessment ratings and how they should be interpreted for each job. Although this scheme appeared to be based mainly around skills it was very much aimed at inducing the behaviours necessary to perform such skills.

Public agency

The Agency were originally instructed to introduce PRP by the government, but since given freedom to design their own reward systems have continued with it. The scheme was introduced one group at a time until the principle of pay and appraisal harmonised across all grades. The phased introduction of the system is now complete.

The Agency say that all jobholders should understand how their jobs integrate with their business objectives and the business plan for their office or team. The Agency receives its annual performance agreement (APA) from the Treasury. This is then cascaded by splitting it into manageable blocks with clearly identified objectives. This is then used as a Tool for management and development. Employee involvement was considered essential and jobholders are 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
- Agree development needs

Criteria for setting standards are established 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. Objective control sheets should be used to help develop and document objectives. Objectives are then rated under one of the following: 'Exceeded', 'Achieved' and 'Not achieved'. Competences are then used to describe the core skills, abilities and qualities required for performance at a particular grade or pay band.

Job holders are expected to be proactive and give regular feedback to management who then award an overall performance mark taking into account the following:

- Whether the jobholder 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?
- Are they self starters/ innovators

Performance marks are in the range A to D. Each rating is awarded a certain amount of shares depending on the grade an individual is in. The company determines the value of the share and each person receives the value of however many shares they were awarded for their performance. In practice the process is very standardised and the developmental aspect is non-existent. Employees felt that the process was 'done to them' rather than 'including them'.

Bank Co.

This company had used PRP for many years as a merit payment, but argued that change to the pay scheme was essential to provide greater personal accountability in meeting objectives and that they also required the ability to discriminate in rewards based on performance. This is an interesting point because a major difference was that the old merit system was paid over and above a general increase whereas now with PRP the whole thing is integrated i.e. merit is the sole basis of increase.

Now there are less grades and wider salary ranges. Performance ratings were reduced from five to three and position in the salary range is now to be determined by consistent performance. A new bonus element was introduced which is completely non-consolidated i.e. not included in pensionable salary. This element of reward has grown much larger as a percentage of total increase since I began looking at the scheme. The scheme is now part of 'managing by contract' and includes four main concepts: Whole job; key responsibilities; objectives; meeting contract. The purpose of the assessment of performance against contract is not to assess the person but to establish the extent to which the agreed plans for the last annual period have been met.

Due to the subjectivity of the old scheme the new aimed to make the whole process more objective. However, it should also be noted that the performance contracts for management are very standardised. Senior managers are issued with booklets of standardised contracts for each area of the bank. The only differences from one manager to another are the actual figures that are cascaded down. The company

constantly reviews the workings of the scheme and a more recent development is that contracts are supposed to represent all of those competencies that are needed in the job. Managers were critical of the new scheme and the proposed introduction of the scheme for clerical workers caused much controversy.

Conclusions

Despite the ability to characterise schemes in one of three typologies the above highlights the complexities of the different schemes. From an examination of the WIRS data there were certainly some distinctive characteristics about establishments utilising PRP. First, they were more likely to be in competitive sectors of the economy and undergoing much change within the organisation. This fits in with the picture painted by Storey & Sisson (1993) of changing product market conditions colluding with changing production technologies to render increasingly obsolete old strategies associated with the mass production era and giving way to a new order with a different set of rules. This new state of affairs is said to involve adaptability, customised products and services, quality' and a different set of behavioural characteristics in the workforce. Whereas, before employees were expected to follow rules, perform efficiently, be complacent, etc., now they are expected to foresee opportunities and be adaptable, attend to quality, seek out continual improvement, be flexible, proactive and creative within ambiguous settings.

All of this is thought to require a much more individualistic approach. However, we saw from the WIRS data that the nature of individualism occurring was not as clear cut as that portrayed in HRM accounts. As was noticed by Sisson (1993)

unions are more likely to be present in workplaces with HRM type practices and, as was highlighted in the case studies, standardisation rather than individualisation was the norm. Also despite appearing more sophisticated in terms of the I.T. processes available to aid individualisation, there was an over-riding emphasis on budgetary control rather than management autonomy in PRP establishments. Another unexpected result was that although PRP establishments thought that their productivity was higher they also thought that their industrial relations and financial performance was poor compared with other establishments.

Storey and Sisson (1993) point out that the pivotal idea of all new guru packages like PRP is the need for a way of managing which induces competent, flexible and committed workforce. However, the fact that theoretical descriptions of performance and assessment rely on orthodox interpretations that see the employment relationship as unproblematic (Newton & Findlay 1996) do little to open our minds to the subtle differences involved with reward schemes. Yet, as Kessler (1994) argues organisations have an area of choice over the way they implement policies and strategies. It was shown in part two that there would seem to be three types of schemes: those which resemble more the traditional types of PBR schemes; those PRP schemes based on behaviours; and those which utilised objectives, targets and performance contracts. 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. 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 skills and performance and

more about measurement and accreditation. There was also a diversity of means of linking performance with pay. This is because organisations do not operate within a vacuum and cannot ignore their socio-political and economic situation. It also represents the ways in which the organisation wishes to present itself to employees and the outside world (i.e. the language of rhetoric).

The fact that schemes have both similarities and differences not only reflects the conflict between contingencies and latest fads but also the lack of strategic direction and knowledge of reward and other HRM techniques which managers feel they require. Despite realising the importance of their own organisational contexts senior managers often found themselves reliant on the expertise of the consultant and thus to some extent tied into which ever scheme was the 'flavour of the month'. The concentration towards performance management schemes and competences is a good example. Another was Health Co. where, due to the novelty and promotion by the government of such schemes in the NHS, the consultants were eager to work with the Trust to establish a scheme that they could then sell to other Trusts.

The schemes were highly centralised, a fact that points not to the disappearance of rewards based on collective rules in favour of individualism, but rather rewards based on a re-definition of what rules should apply and who should apply them. As was noted by Brown et al (1998) concerning individualised employment contracts in practice they tended to increase rather than decrease standardisation of substantive issues. The flexible element of PRP applied in making pay more open ended and allowing for much more differentiation in terms of employee job

requirements. This fits in with the larger picture portrayed by Storey & Sisson (1993) in as much PRP is not part of a change from IR to HRM but a mixture of both within changing political, social and economic environments. “The motivation to control runs through the whole of personnel and HRM” (Hendry et al, 2000). As these authors note the common ground with all PRP schemes is that the measuring of people performance is both driven and vitiated by an obsession with control. (8000 words)

References

Antonacopoulou E P & FitzGerald L, 1996. Reframing competency in management development. Human resource management journal, Vol 6 No.1. pp27-48.

Armstrong M, 1996. Employee reward. London, Institute of Personnel and Development,

Armstrong M & Baron A, 1999. Performance Management: The new realities. Cromwell press, Wiltshire.

Baldamus W. 1961. Efficiency and Effort: An Analysis of Industrial Administration. London, Tavistock Publications.

Balkin D B & Gomez-Majia L R, 1987. Matching compensation and organisational strategies. Strategic Management Journal, Vol. 11 pp153-167.

Brown W, Deakin S, Hudson M &Ryan P, 1998. The individualisation of employment contracts in Britain. DTI Employment Relations Research Series 4.

Brown W, 1973 Piecework bargaining. Warwick studies in Industrial Relations. London, Heinemann.

Brown W, Marginson P & Walsh J, 1995 Mangement: Pay Determination and Collective Bargaining. In Edwards P K (eds) Industrial Relations: Theory and Practice in Britain. Oxford, Blackwell.

Edwards P K, 1986. Conflict and consent: A materialist analysis of workplace relations. Oxford, Blackwell.

Guest D, 1995 Human Resource Management, Trade Unions and Industrial Relations. In Storey J (eds) Human Resource Management: A critiacl text. London, Thompson Business Press.

Hendry C, Woodward S, Bradley P & Perkins S, 2000. Perfromance and rewards: cleaning out the stables. Human Resource Management Journal

Kessler I & Purcell J, 1995. Individualism and collectivism in theory and practice: Management style and the design of pay systems. In Edwards P K (eds) Industrial Relations theory and practice. Oxford, Blackwell.

Kessler I 1994. Performance related pay: Contrasting approaches. Industrial relations journal 25:2 pp122-134.

Kessler I, 1995. Reward systems. In Storey J (eds) Human Resource Management: A critical text. London, Thompson Business Press.

Kessler I. & Purcell J., 1992. Performance related pay objectives and application. Human Resource Management Journal. vol 2, no 4

Lupton & Gowler, 1969. Selecting a wage payment system. Kogan page.

Millward N et al, 1992. Workplace industrial relations in transition. Bookcraft Ltd, Bath England.

Newton T & Finlay P, 1996. Playing god: the performance of appraisal. Human resource management journal, Vol 6 No. 3. pp42-58.

Sisson K 1994 (eds). Personnel Management: A comprehensive guide to theory and Practice in Britain. Oxford, Blackwell.

Sisson K, 1993. In search of HRM. British Journal of Industrial Relations, Vol 31 No 2. Pp201 – 210.

Smith I C, 1993. Reward management: A retrospective assessment. Employee Relations, Vol 15, Iss:3.pp45-49

Smith V, 1990. Managing in the corporate interest. University of California press. Oxford England.

Storey J & Sisson K, 1993. Managing Human Resorces and Industrial Relations. Milton Keynes, Open University Press

Storey J, 1995 Human Resource Management: A critical text. London, Thompson Business Press.

Swabe A I R, 1991. Performance Related Pay: A case Study. Employee Relations, Vol 3, Iss 2.

Appendix 1: Main Characteristics of PRP Schemes

COMPANY	ELECTRIC Co	BANK Co	TV Co	ENGINEERING Co	RETAIL Co
Products/ Service?	Electrical components	Banking and other financial services	T.V. and radio	Engineering maintenance work	Retail. Manf./Retail Pharmaceutical
Link to Business Plan	Only via TQM	Yes	Indirectly	No	Yes
T.U. Involvement	Yes	Yes	Yes	Yes	Yes
Relationship with payroll costs	Cannot exceed % of payroll	Budget	Budget	Budget	Budget
Centralised/ Decentralised	Centralised in UK	Centralised	Central guidelines	Divisonally centralised	Divisonally centralised
Salary Ranges	No	min 88 bar 100 max. 110	min 100 max. 150	Hay	Hay
Standard, PRP or Bonus?	Productivity Bonus	PRP and PRP Bonus	Standard, PRP, and PRP Bonus	Standard and PRP	PRP
Ratings?	N/A	'Met', 'Exceed', and 'Fall Short' of contract	Excels Meets Attention should be paid.	A to D: 'Outstanding' 'Superior' 'Fully Acceptable' 'Incomplete'	'Met', 'exceed', 'Fall short' of contract
Criteria?	Additional Profit	'Whole job', 'Key responsibilities' and 'objectives'	Professional competence. Working relationship. Planning and approach. Staff management. SMART	'Approach to work', 'Standard/quality of work', 'Problem solving', 'initiative', 'Attitude to others'	'Key responsibilities', and 'Objectives' SMART
Performance/Pay Link	Direct output/labour cost link. Maximum 6% of additional profit	Appointed: Depends on perf. rating and where you are in the range. Up to 20% bonus Unappointed: Depends on overall rating.	Increment depends on appraisal/competence. Bonus paid to 20% of staff only but no larger again than standard rise.	% decided for each rating./ min and max. % guidelines.	Min and max. % Guidelines. Max. n+2%, where N= standard rise
Flexibility of the award?	Set basic/ Flexible PRP	Bonus - Flexible. Increments - None	Flexible	None	Within the guidelines
Percentage or movement in the range?	% non consolidated	Increments - Non consolidated after Max. of scale % Bonus - non consolidated	Increment and % Bonus non consolidated	% Consolidated	% Non consolidated at Max.

COMPANY	AIR Co	INSURANCE Co	PUBLIC AGENCY Co	HEALTH Co

Appendix 1: Main Characteristics of PRP Schemes

Products/ Service?	Airline services	Insurance	Employment	NHS Trust
Link to Business Plan	Yes - Unit mission statement.	No	Yes - ES Essentials (6).	No
T.U. Involvement	Yes	Yes	Yes	Yes
Relationship with payroll costs	Budget	Budget	Budget	Budget
Centralised/ Decentralised	Centralised but moving towards guidelines	Highly centralised	Centralised	Centralised
Salary Ranges	Hay	min bar max.	New pay spines with more but smaller steps.	Grade with Pay spines
Standard, PRP or Bonus?	PRP and Bonus	PRP and bonus?	PRP?	PRP
Ratings?	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.	Every time = 9 pts Nearly always = 7 pts Usually = 5 pts Sometimes = 2 pts Rarely = 0 pts	Box A= Outstanding Box B= Good perf. Box C= Generally satisf. Box D= Perf. not satisf. Changed to Not met; Succeed; Exceed & Exceed extra loaded	Unsatisfactory = 0 Expected = 1 Very good = 2 Outstanding = 3 Snr mngt: Band 1= Exceeds short and long-term goals Band 2 = Meets short and long term goals Band 3= Meets short term and some long Band 4= Meets few short or long term goals
Criteria?	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	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.	ES Essential (6) - Each as a set of sub descriptions (3 to 6).	Key areas + standards grid with 15 criterion. These are different for each job
Performance/Pay Link	Score worked out on a 60/40 weighting of 'achievement of results' and 'Management practices'. e.g. 3.6% Range 0 - 7%	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%	Certain grades attract different shares for certain box marks. Shares then have a % attached to them. Value of share depends on affordability.	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 = O% Band 3 = up to 3% Band 2 = up to 7% Band 1 = up to 10%
Flexibility of the award?	None	None	None	None for nurses/midwifes Flexible for staff
Percentage or movement in the range?	% Increment Non consolidated above Max.	% Non consolidated above Max.	%	Increment and %

COMPANY	**IT Co**	**PUBLIC Co**	**OIL Co**	**TYRE Co**
Products/ Service?	Information Technology	Tax collection	Petroleum and Gas	Tyre, Exhaust and Auto repair.

Appendix 1: Main Characteristics of PRP Schemes

Link to Business Plan	Not really	Yes	Not really	Not really
T.U. Involvement	No	Yes	Yes?	No
Relationship with payroll costs	Budget	Budget		A direct proportion of unit profits
Centralised/ Decentralised	Centralised	Centralised	Centralised	Highly centralised
Salary Ranges	Grades which are quite flexible within HR guideleines	5 new pay bands, divided into 10 spans. Each has a fixed min and max. but no set points in between.	Min. Max.	Basic rates
Standard, PRP or Bonus?	PRP	A and B = PRP C to E = General + PRP	PRP	PRP
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
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	% Non consolidated at Max.	%/ increments	Share basis Non consolidated

COMPANY	**BUILDING SOCIETY Co**	**CAR Co**	**MANUFACTURING Co**	**PHARM Co**
Products/ Service?	Building Society.	Car sales/service	Submarine telecommunications	Manufacturing pharmaceuticals.
Link to Business Plan	Yes	No	Yes	Yes

Appendix 1: Main Characteristics of PRP Schemes

T.U. Involvement	Yes	No	Yes/no (some plants unionised, others not)	Yes/no (some plants unionised, others not)
Relationship with payroll costs	Budget	Budget/sales	Budget	Budget
Centralised/ Decentralised	Centralised	Centralised guidelines	Centralised	Centralised Guidelines
Salary Ranges	Min. Max.	Min. Max.	Min. Max.	Min. Max.
Standard, PRP or Bonus?	PRP and Bonus	PRP	PRP	PRP
Ratings?	1.0- Unacceptable 1.5- Unaccept/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.	1 = Needs considerable improvement 2 = Needs improvement 3 = Meets acceptable standards 4 = Exceeds acceptable standards 5 = Exceptional	Exceeded Achieved Needs improvement Unsatisfactory Not enough info.	O -Outstanding E -Excellent G -good S -satisfactory R -Req. Improvement U -Unacceptable
Criteria?	Key result areas(4-7) Objectives key tasks targets.	Training. Sales. Appraisal.	Core values: Excellence; teamwork; customers; commitment; innovation; people. Key responsibilities objectives of which there are three types: Operating; people development; strengthening the business.	Performance areas Q measures indices objectives action plan SMART
Performance/Pay Link	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%	Fixed points decide what basic via training. Matrix decides bonus element. Max 25% of salary.	The rating/pay relationship is not quite pure i.e. guidelines are given but left to mngt discretion e.g. between 3-5%. Each department has own budget to share as please.	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%
Flexibility of the award?	Flexible	Some flexibility	Flexible	Matrix
Percentage or movement in the range?	% guidelines Bonus non consolidated	Increment Bonus non consolidated.	% Guidlines Consolidated	Increment Non consolidated at Max.

UNIVERSITY OF KENT

http://www.kent.ac.uk/cbs/research-information/index.htm