

**SWP 65/91 EUROPEAN COMPARISONS IN REWARDS POLICIES :
THE FINDINGS OF THE FIRST
PRICE WATERHOUSE/CRANFIELD SURVEY**

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**Presented at the 6th EIASM Workshop on International Human Resource Management, St
Gallen, Switzerland, March 1991**

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European comparisons in reward policies- the results of the first annual Price Waterhouse Cranfield Project

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For most organisations labour costs present the highest fixed costs. Reward policies are therefore a crucial element in strategic behaviour of organisations. However, as yet little detailed information is available on European comparisons of reward management, especially with regards to variable pay. This paper will use the 1989/90 results of the Price Waterhouse Cranfield Project on International Strategic Human Resource Management 1 to examine trends in reward policies in selected European countries.

Introduction

The pay package is one of the most obvious and visible expressions of the employment relationship. It is the main exchange between employer and employee, expressing the relationship between the labour market, the individual's work and the performance of the employing organisation itself. The pay package serves as a major signal between the employer and the external environment, in recruitment and retention. It expresses internal hierarchies, defines performance and plays a role in motivating and rewarding.

Reward policies play an important part in strategic human resource management. They can provide a guiding link between the individual's work and corporate objectives and furthermore give important messages in terms of an organisation's culture and outlook. As such therefore they should be focused, targeted, clearly communicated and integrated with other elements of human resource management.

However, more than almost any other tool of human resource management, pay policies have been the subject of collective bargaining and employment legislation. Particularly during the seventies in Europe strong trade unions were able to keep pay in the arena of the collective employee relationship. Furthermore, inflationary pressures made pay policies one of the key elements in macro-economic policy, hence restricting the extent to which pay policies were available as a tool in human resource management (Marsden, 1989).

During the last decade factors such as high levels of unemployment and the decline in manufacturing employment combined to reduce the traditional power base of trade unions, a trend supported in some European countries by employment legislation which reduced the power of collective action. At the same time the general level of inflation remained low and therefore reduced the absolute share of the pay increase aimed at maintaining real wages. This has increased the scope of employers to link pay policies to profitability and productivity. One of the related effects has been the ability of companies to introduce the concept of profit centres into wage bargaining, reducing the size of negotiating units as part of this process.

Received good practice in human resource management now stresses the need to make pay more responsive to individual and company performance and to remove it from the collective bargaining arena into the field of individual accountability. In practice this has been translated into recommendations for a greater share of performance-related pay elements in the pay package, as a means of both focusing the performance of employees in the short-term, through bonus schemes for example, and of increasing long-term commitment through such mechanisms as share options. It has also gone hand in hand with recommendations for the decentralisation of decision-making on pay issues.

The Price Waterhouse Cranfield Project, a research project set up to study trends in human resource management across Europe, established how far these general prescriptions and recommendations have been taken up by employers in general, and- if taken up- how far the new policies are an integral part of strategic decision-making. In particular it asked about the level at which pay was negotiated and trends in the use of performance- related pay elements.

Pay negotiations

The decentralisation of decision-making on pay issues to more operational levels is recommended as a means of allowing a greater responsiveness to local labour markets while ensuring that negotiations are more directly related to local productivity and ability to pay. The survey shows that across Europe the majority of corporations and private 2 multi-site organisations continue to take major policy decisions on pay matters at national or international headquarters (see table 1). However, the level of decentralisation within employing organisations, that is of decision-making at subsidiary or establishment level, is considerable in all countries apart from Spain, accounting for 30% to 45% of private sector organisations. The highest response to decision-making at subsidiary (35%) or establishment level(10%) can be found in Germany which has the most stable and most centralised collective bargaining system among the five countries in the study. This is more likely to be an expression of the existing system, which places the responsibility for the negotiations of the exact implementation of centrally determined 'framework' agreements at the level of the workplace, rather than an expression of a more recent change to more local accountability.

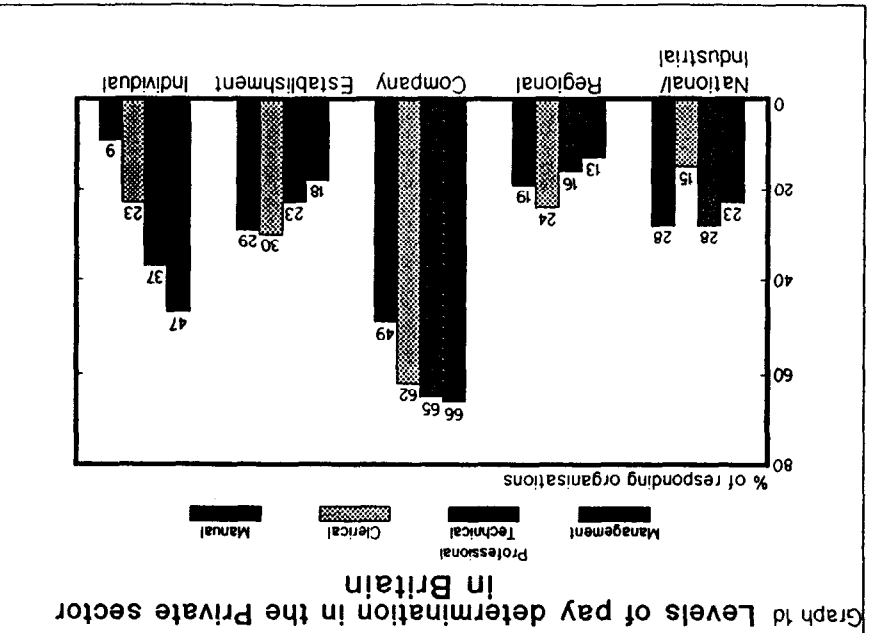
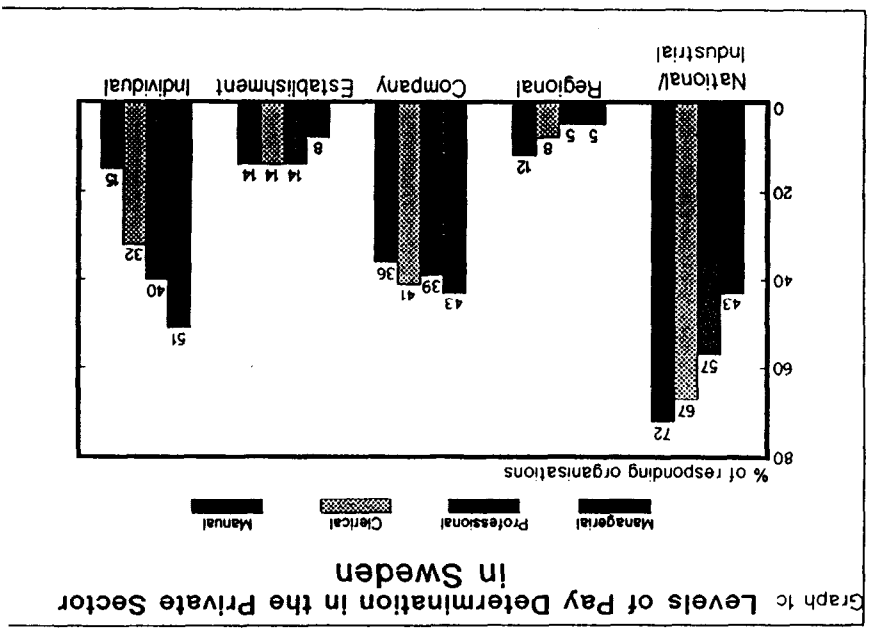
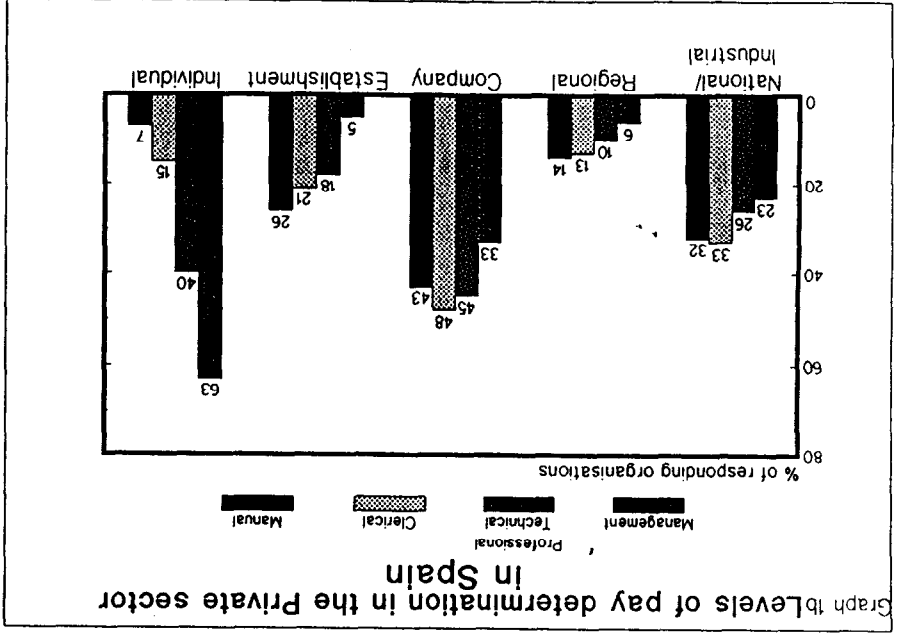
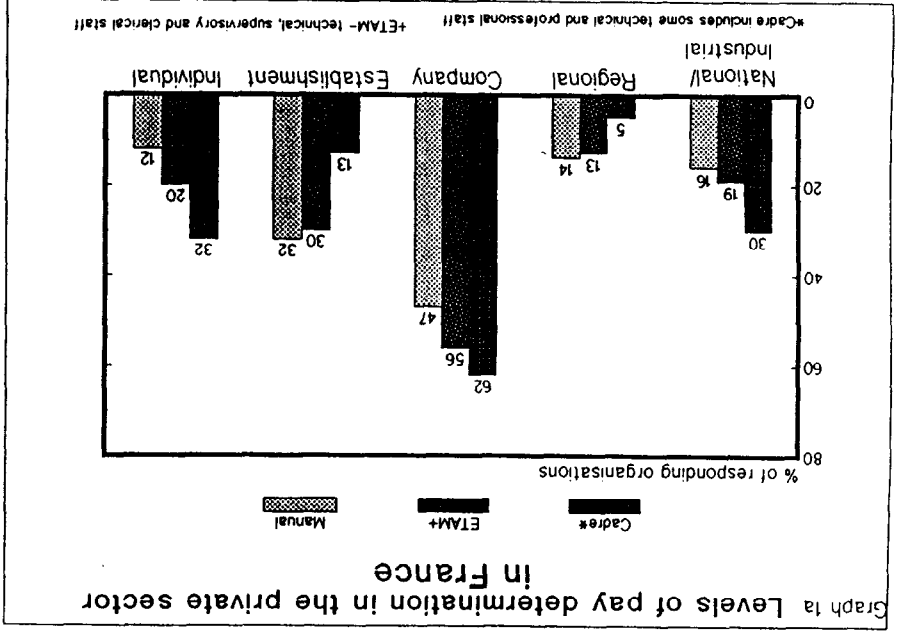
Only in Spain is the degree of decentralisation significantly lower, 6% at subsidiary and 9% at establishment level. This is probably a sign of Spain's relatively recent economic development and the predominance of multinational companies among larger firms who are exerting tighter control over their Spanish operations.

In future years it will be possible to assess from the survey data whether decentralisation is becoming a more common feature in this area, or whether- as there already is some circumstantial evidence for American multinational companies- the European single market will lead to attempts to re-establish central controls and unified policies.

Table 1: Decisions on Pay Policies in private corporations or groups of companies
 Percent of organisations 1

	France	Germany	Spain	Sweden	UK
International HQ	9%	12%	14%	4%	9%
National HQ	54	43	71	60	43
Subsidiary	22	35	6	25	23
Establishment	11	10	9	11	21

Centralised negotiations of basic pay, either through national or industry level bargaining or company level negotiations, also continue to be the majority level practice in all countries. However, the figures reflect the growing importance of company level bargaining, whether it be supplementary to national or industrial collective bargaining or independent of it. Company level determination of basic pay is the most frequently cited option for white collar staff in all countries 3 (see graph 1a to 1d). National and industrial collective agreements continue to be more important for manual workers, to some extent expected given traditionally higher levels of collective organisations among these workers.



France is the only exception, with company level negotiations accounting for 43% for manual workers, almost three times as frequent as national or industry-wide agreements. A shift to company level bargaining has been strongly supported by CNFP, the French employers federation, who, in support of this policy, has refused to issue central pay guidelines since 1984. According to CNFP the numbers of company level agreements in France rose from 2000 in 1982 to 6400 in 1988. Similarly to CNFP the engineering employers federation, UIMM, has also not set a rate in central negotiations since 1987. This support for local bargaining, however, does not extend to managerial staff where UIMM continues to provide reference points for salary scales and increments. This is interesting as managerial and executive pay in other countries is generally the most decentralised area of white collar settlements. It might suggest that the traditionally hierarchical approach to pay in France, linked more to educational background, age and seniority, is rather resilient (IDS Focus 1989).

Also striking is the number of companies who say that basic pay is negotiated directly with the individual. This might be the expected pattern for managerial staff but it extends to between 20% to 40% of employers of technical and professional staff in the sample, and even at the level of secretarial and clerical staff a third of Swedish employers and almost a fifth of British employers say they enter into individual negotiations.

The Swedish case (see graph 1c) is particularly interesting as it challenges the notion of a simple alternative between collective and individual. Sweden has much higher levels of trade union membership than any of the other countries, with membership for manual workers over 90% and for non-manual workers at around 75%. Wage rates are centrally negotiated between the two major trade union federations and the employers federations, and despite repeated challenges this system has so far been maintained, with the support of the government. However, there have been increasing calls for greater flexibility and recognitions of different levels of productivity in different industries or companies. This has been expressed in a growing number of industry level- rather than national- agreements. To some extent the system operates by establishing a wage floor rather than the going rate. The actual rate is negotiated on top: "Many blue collar workers in private industry and commerce earn more through the combination of local agreement excesses and individual wage supplements, collectively known as wage drift, than they do as a result of central agreements" (Ahlen, 1989, p337). This practice has increased particularly rapidly in response to acute skill and labour market shortages, with the rate of unemployment below 2% until recently. Whereas for manual workers in Sweden, too, the negotiations of supplements continues mostly through forms of collective bargaining, for white collar staff rates increasingly appear to be set at the level of the individual.

Variable and performance-related pay

Individually negotiated pay of course need not be variable or performance-related. However, often the two will go hand in hand.

When asked whether the importance of variable pay elements in the total rewards package had changed over the last three years, almost half of all employers, and a massive 85% in the case of Swedish employers, said that it had increased (see table 2). Of course this common trend takes place against a widely differing base line of pay practice and differing industrial relations practices which influence the extent and definition of variable pay in each country. Nevertheless, to some extent this makes it even more remarkable that employers operating under such different conditions as in Germany and the United Kingdom appear to be moving in the same direction.

Table 2 Variable Pay: A steady rise

Organisations reporting increases in variable pay elements in the total reward package in the last three years

	Private sector	Public sector
France	51%	18%
Germany	45%	na*
Spain	56%	na
Sweden	82%	93
UK	48%	47%

* Question was not asked of German public sector

The survey established trends in the use of the main elements of variable and performance related pay, such as individual and group bonuses/ commissions, profit sharing and share options and merit and performance related pay, differentiated by staff group (see graphs 2a to 2e). While all of the five countries show a strong trend towards variable pay, the degree to which elements of performance related pay are adopted varies between countries. The composition of the pay package has always been strongly influenced by taxation, especially for managerial staff and this explains some of the variations between countries.

Both the British and French government have encouraged profit sharing and employee share options with various schemes and tax allowances as a means of making employees more responsive to the needs of industry and of giving them a greater stake in the fortunes of the organisation they work for. The very high proportion of employers offering profit sharing in France, over 60% for all staff categories, for example, is due to French legislation, passed in 1986, which strongly encourages it. The legislation was recently amended to make deferred profit sharing ('participation') compulsory for all companies with more than 50 employees. Profit-related annual bonuses ('interessement') are exempt from social security and income tax. Trade unions voice strong concern that profit-related pay might be used to undermine or replace collective agreements on basic pay raises; in response legislation was introduced in December 1990 which has limited the tax-exempt share of the wage bill to be accounted for by profit-related pay to 15% (previously 20%), and to a lower rate in companies without collective bargaining agreements. In the majority of companies, however, the importance of profit sharing remains far below that and on average accounts for less than 4% of the wages and salaries bill. (European Industrial Relations Review, 1990).

The only other country where profit sharing is widely employed is Germany, where 60% of companies make it available to their managerial staff. A possible explanation for this is the predominance of medium size owner-managed companies with a longer tradition of financial participation for senior managers. Profit-sharing in the UK by comparisons is not as wide-spread, being available to managerial staff in 35% of organisations, and less to other staff. This is in spite of tax incentives and strong government encouragement for profit sharing. However, other than in France, the government is keen to promote links between annual wage negotiations and the financial performance of an organisation.

Share options on the other hand, discussed widely as a means of increasing employee commitment, are an option mostly limited to employees in the UK where they enjoy substantial government support since the late 1970s. This support has ensured that they are not limited to managerial staff but are available to all levels of staff, including to manual workers in almost a third of companies. Comparisons with the British Workplace Industrial Relations Survey show that indeed share option schemes have continued to grow in the 1980s. Between 1984 and 1989/90, the general

availability of these schemes almost doubled, from 23% to 53% of private sector organisations (Millward and Stevens,1986).

Bonuses are a more traditional element in the pay package, particularly for certain categories of managerial and professional staff in industries such as financial services and retailing. Bonuses are also a common means of remuneration for (male) manual workers, with the exception of Spain where the numbers of companies employing either individual or group bonuses for manual workers is very low. In the first year of our research it is difficult to assess whether bonuses are used in a new and dynamic way or whether these pay elements present the relatively static inheritance of traditional pay systems, as is the case for many manual workers in the UK. For British manual workers bonus pay often accounts for over a third of total pay and is supported by elaborate and often rather archaic forms of setting target rates. In many cases the systems have in practice lost their individual- or group-accountability and are used as a standard way of supplementing low basic pay rates.

There is, however, evidence in the UK that the importance of individual or group-assessed bonus pay is growing for managerial staff, even though often confined to senior management. According to the British Monks Guide to Performance-Related Incentives for Senior Managers in Large Companies, the proportion of senior managers eligible for performance-related bonuses increased from 39% in 1985 to 62% in 1989 (IDS Top Pay Unit, 1990).

Individual bonuses seem to be more popular than group bonuses in all countries apart from Sweden, confirming perhaps a greater emphasis on team work and team performance in Swedish business culture. Less than a quarter of companies in Sweden, moreover, provide any form of profit sharing or share option schemes, as there is strong trade union opposition to official encouragement to these such schemes. The proportion of companies offering bonuses is also lower in Sweden than in the UK, France or Germany - even though Sweden has had by far the largest number of employers who claim to have increased variable pay.

Non-cash rewards

Variations in the composition and importance of benefits- non-cash elements of the reward packages- are equally strong between countries. It is by now common knowledge, for example, if still somewhat of a shock to some foreign companies locating in the UK, that Britain is the only country where the company car enjoys quite such an essential status in the managerial reward package. Similarly the emphasis in Britain on benefits for parents such as workplace childcare (even though in practice only very few companies have begun to provide these), has been met by incomprehension in most of the other countries in the study where it is expected that such services are provided by the state. The composition of benefits, probably even more so than of incentive-related pay elements, is strongly influenced by tradition and cultural preferences. However, here, too, a common trend of increased importance for non-money benefits in the reward packages emerges between the different countries in our studies 4 (see table 3).

Table 3. Non-Money Benefits

Organisations saying that the importance of non-money elements in the rewards package has increased in the last three years

	Private sector	Public sector
France	7%	7%
Germany	38%	na
Spain	36%	na
Sweden	38%	0
UK	44%	43%

The big exception to this trend is France. Whereas in the other countries benefits are often a rather tax-friendly way of increasing remuneration, in France non-cash benefits are treated exactly on par with money remuneration. This, together with a historical preference for "cash-in-hand", explains the low rate of change in the area of benefits.

The high response rate for the British public sector is a direct response to recruitment difficulties, as well as a greater decentralisation of pay bargaining. During the last few years public sector employers have felt forced to copy more closely the benefit packages on offer in the private sector so that several public sector employers for the first time began to offer company cars, for example. But the public sector has also benefited in its competition for employees with the private sector by relying on its traditional performance as a "good employer", in terms of such basic benefits as holidays, working time arrangements or maternity provisions. The Swedish public sector on the other hand, which similarly faced a very tight labour market at a time when they were unable to make pay rates more competitive with the private sector, has shown no change in the use of benefits policies.

Merit and Performance-related Pay

Maybe the most interesting development in the area of variable pay, however, is the extent of merit and/ or performance-related pay. Merit and performance-related pay here refers to systems where part or all of the annual pay increase is related to an assessment of the quality of performance of an employee. Predictably this is most frequent in the managerial group; only in Spain is merit pay more commonly employed in the professional and technical staff group (in 53% of companies) than for managers. But the survey also shows that merit pay is by no means limited to managerial or professional staff. The proportions of employers whose clerical staff receive performance-related pay are very significant in all countries, ranging from 30% in Sweden to 60% in France 5 (see graph 3).

As graph 3 also shows, the practice of merit and performance-pay is no longer mostly limited to the private sector. Especially in the UK recent attempts to introduce private sector criteria for cost-effectiveness and profitability into public sector management and accountancy systems has led to the introduction of performance criteria, particularly for pay decisions concerning managerial staff. This is particularly so in the health service where local health authorities now for the first time have to operate with local two-year business plans. In France, the government also tried to introduce merit pay into the public sector but after severe industrial relation problems appears to have slowed down its efforts for the time being.

Again it is necessary to be aware of the contexts in which merit and performance-related pay are being introduced. In France, for example, merit pay has been widely

used as a means of re-establishing hierarchies and differentials after a period in the 70s and early 80s which reduced these. In Sweden, on the other hand, merit and performance-related pay are often seen as synonymous for "wage drift" (see above), that is a response to labour market shortages rather than individually assessed performance. Thus the introduction of merit pay should not be over-interpreted as a sign of a move towards a new enterprise culture. Nevertheless, performance related pay does break down the collective and centralised negotiation of pay and puts much greater power and influence in the hand of line managers.

Trade union membership and merit pay

The results of the survey clearly show that merit and performance-related pay is much more likely in organisations with low trade union membership. Taking as an example again merit and performance-related pay for clerical staff, the incidence of merit and performance-related pay is over twice as high in organisations with no trade union membership or membership levels below 25% in the UK and France, and almost double in Sweden, as it is for organisations where more than 75% of employees belong to a trade union (see graph 4). The same general trend of lower trade union membership also holds for those organisations who say that variable pay has increased over the last three years (graph 5), although the differences are less marked. The only exception is Sweden where the relationship is reversed. This is probably a result of the already mentioned practice of negotiating locally to increase national pay rates in response to acute labour market shortages.

Line management responsibility for pay issues

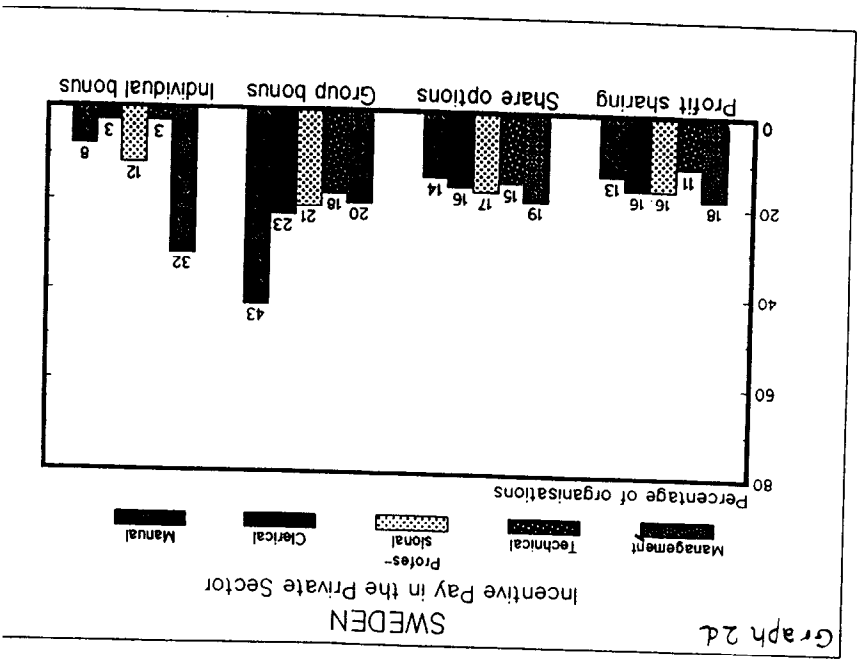
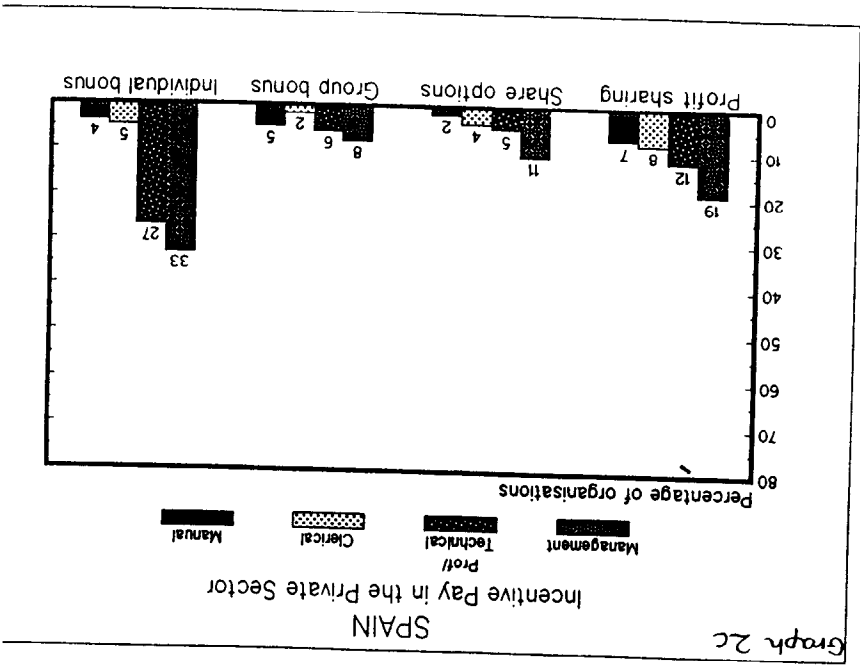
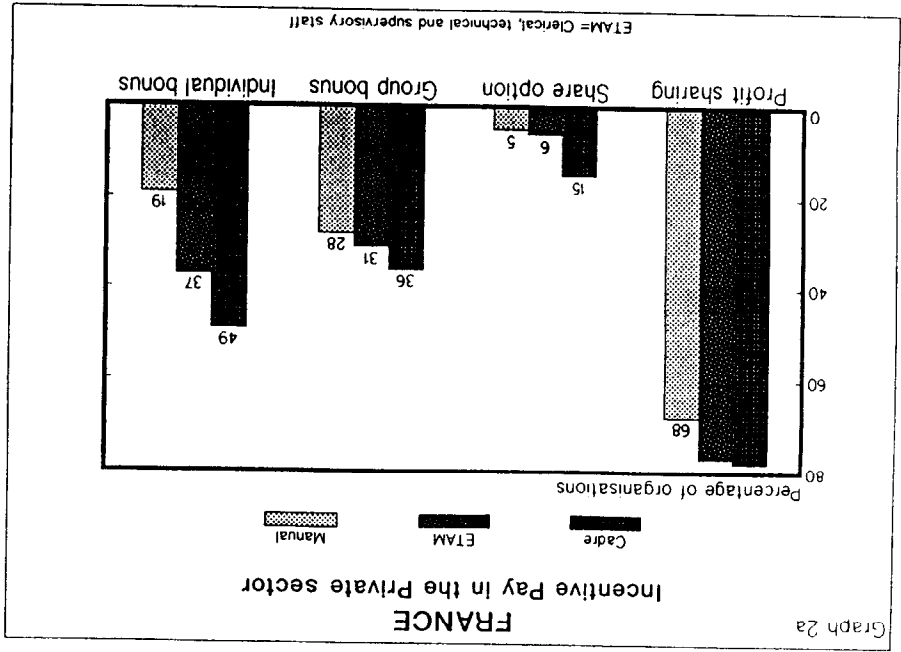
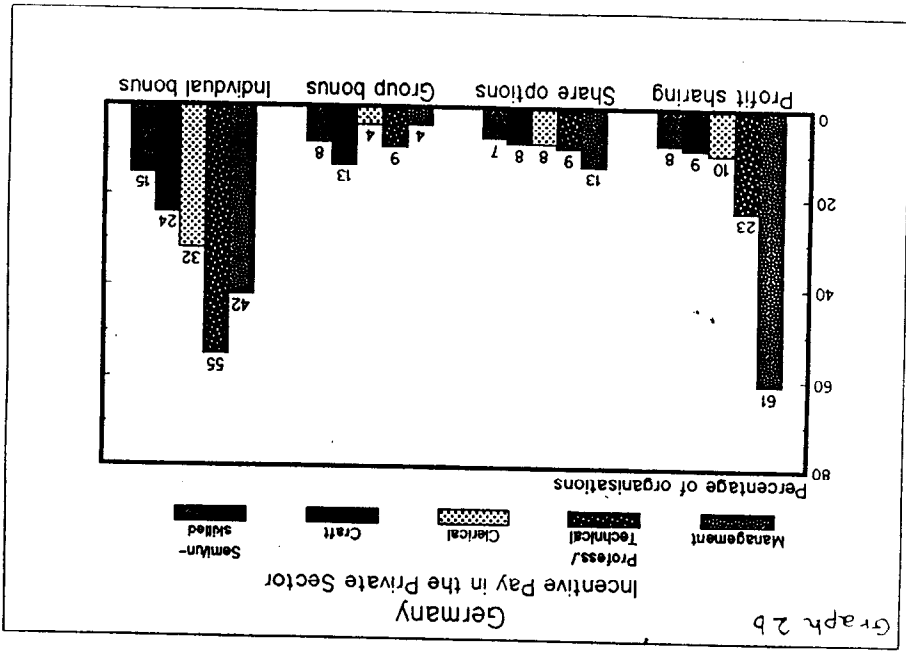
The growth of performance-related pay and of decentralised and individual bargaining puts greater responsibility on individual line managers. This interpretation is supported by the number of employers who say that the responsibility of line managers for pay issues has increased over the last three years. Again, this trend is most marked in Sweden where seven out of ten employers say that line management responsibility has increased. It must be noted that the numbers are high because Sweden has traditionally had very centralised bargaining structures and has only recently begun to move away from them. But even in Germany, probably the least flexible system among the five countries in the study, almost a quarter of employers say that line managers now have more responsibility for pay issues. Perhaps it is somewhat surprising that the British response here is only marginally higher than the German one, considering the current lively domestic debate on the importance of line management control over pay and human resource management in general.

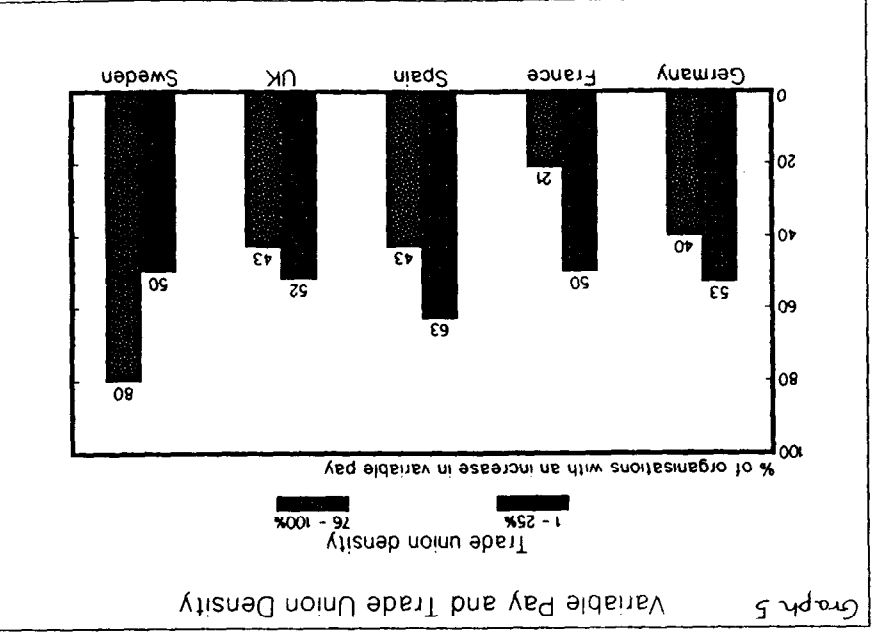
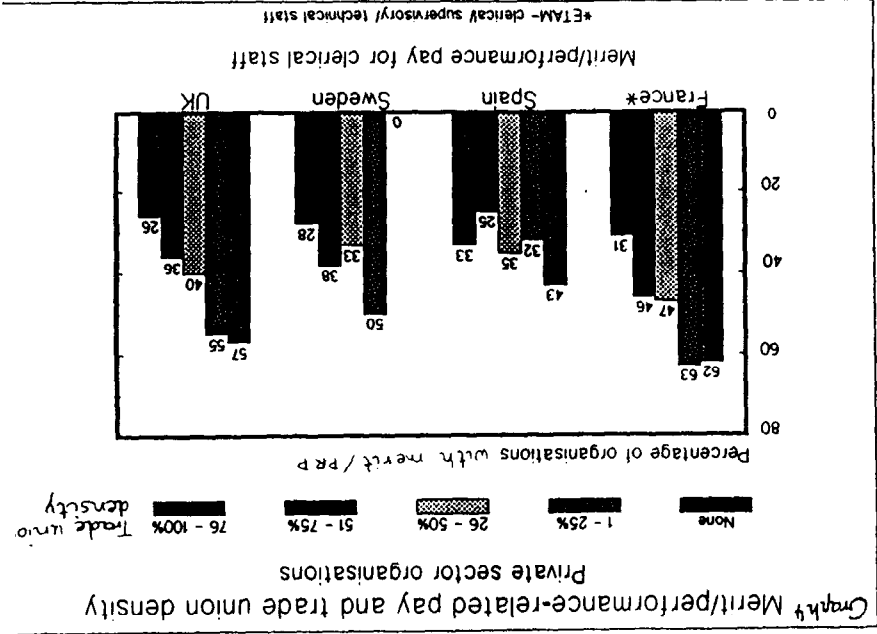
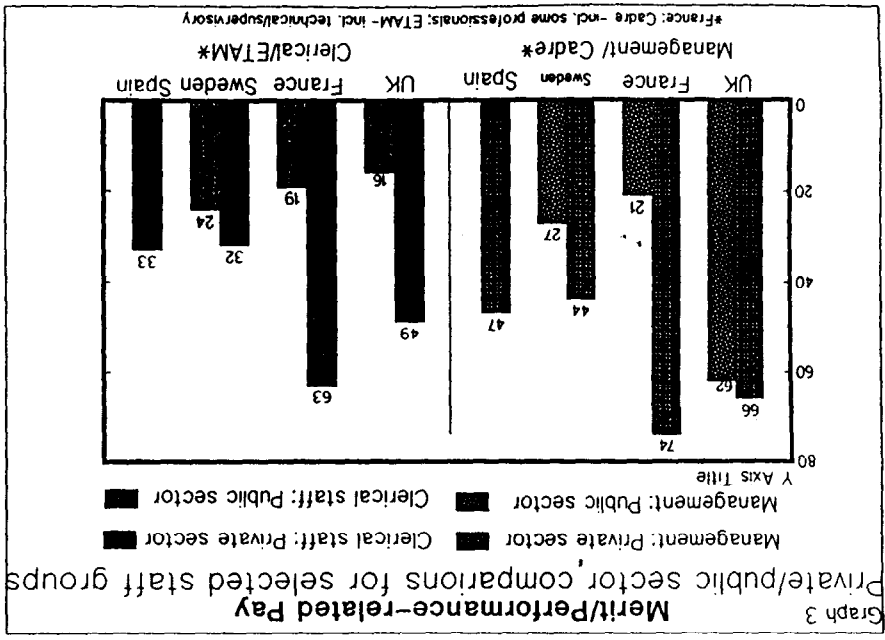
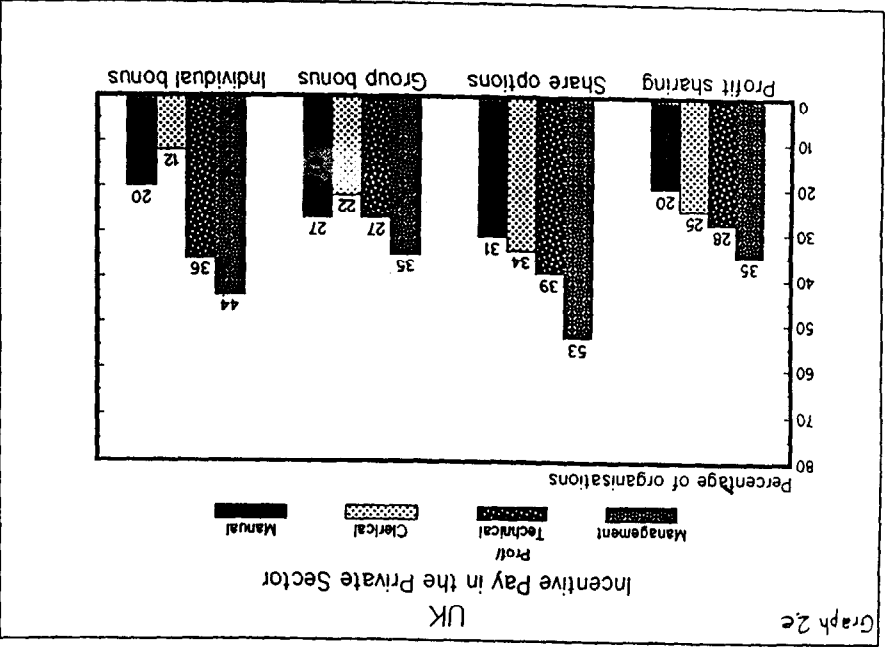
Table 4: Increase in Line management responsibility for pay issues over the last three years

Percentage of organisations

	Private sector	Public sector
France	43%	18%
Germany	22%	2%
Spain	45%	na
Sweden	68%	76%
UK	26%	39%

The results for the public sector, here defined as public administration such as government, public health and education, provide interesting illustrations of the differences as well as the similarities to the private sector. In Sweden and the UK in





particular public administration has been under pressure to become more profit-oriented and change its management practices, including in the area of human resource management. The fact that in both of the countries the public sector response is higher than the private sector response illustrates both the recent and rapid attempts to introduce new practices, as well as the low base of decentralisation from which these industrial relation systems start out. Apart from the increase in merit pay, illustrated above, this is also a response to moves away from national bargaining and attempts to make pay settlements more responsive to local labour market conditions. In Germany on the other hand the public sector so far appears to have remained relatively immune from pressures for change in management practices.

In summary, after a first look at the evidence, a large number of employers appear to be moving away from, or at least supplementing, traditional collectively negotiated pay policies in favour of both a more individually determined pay package and a greater emphasis on performance-related elements in the pay package. For Sweden and the UK at least these trends are not limited to private sector organisations.

Strategic Integration

Variable pay and devolution of line management responsibility in themselves, however, are no guarantee of good practice, nor of a strategic integration of policies with corporate strategy and objectives.

For policies to be derived and employed as part of a strategically integrated process, particularly when part of their function is to change existing behaviour and refocus priorities, one could, for example, reasonably expect that they were supported by written personnel policies, or at least corporate strategies. This should be especially so for those organisations who are increasing the responsibility of line managers in this area or who are decentralising the negotiation of pay policies to establishment or plant level. However both table 5 and table 6 show that the number of organisations who have clearly defined corporate or personnel policies is only marginally higher among those organisations who have devolved responsibility on pay issued to line managers than it is among those organisations who have not.

Table 5 Corporate strategies and line management responsibility for pay issues
 Percentage of organisations saying that line management responsibility has increased
 (in brackets are the proportion of companies where line management responsibility
 has not changed)

	Corporate Strategies					
	Written		Unwritten		None	
France	41	(36)	53	(52)	5	(11)
Germany	36	(36)	47	(46)	12	(14)
Spain	39	(46)	45	(38)	12	(15)
Sweden	83	(83)	11	(10)	6	(6)
UK	71	(68)	21	(21)	6	(8)

Table 5 shows that only in Britain and Sweden line managers' greater responsibility for pay issued is supported by written corporate strategies in the large majority of organisations whereas in France, Spain and Germany less than half of the organisations have introduced these changes with the support of a written strategy.

Table 6 Personnel Strategies and line management responsibility for pay issues
 Percentage of organisations saying that line management responsibility has increased
 (in brackets are the proportion of companies where line management responsibility
 has not changed)

	Personnel/ HR policies					
	Written		Unwritten		None	
France	37	(30)	54	(51)	10	(19)
Germany	20	(18)	47	(52)	30	(28)
Spain	37	(37)	53	(44)	8	(19)
Sweden	72	(60)	21	(31)	8	(10)
UK	54	(45)	24	(68)	16	(21)

Even lower proportions of organisations support change in line management responsibilities with written personnel policies. Moreover, a significant number of organisations, especially in Germany and the UK appear to feel that these changes were introduced without any strategic vision for personnel management what so ever. Of course the mere absence of written policies is not proof of an absence of concerted and well-planned policies; nor does their presence guarantee that policies are clearly communicated and implemented. But the absence of written policies, especially when policies change, makes it less likely that these changes were based on strategic conceptions of the role of pay policies in changing or influencing the performance and culture of an organisation.

In conclusion, employers across Europe in the public as well as in the private sector are putting greater emphasis on variable pay elements in the remuneration package. The composition of the variable pay package varies considerably between countries, probably as much as a result of tax sensitivity as of historical and cultural preferences. But the overall trend is shared against the background of widely varying industrial relation frameworks between the countries in our study. The extent to which this trend represents an increase in strategically integrated reward policies is however more doubtful.

Discussion and conclusions

Having looked at the evidence I would now briefly like to turn to a more general consideration of the implications of the increase of variable pay, particularly of merit and performance-related pay.

Merit and performance-related pay, that is pay increases as a result of the assessment of the individual employee, has been seen as a useful, if not essential means of ensuring enterprise and profit-orientation. Performance-related pay is recommended because it is seen to provide the flexibility to reward exceptional performance of individuals within a fixed budget and to assist with recruitment and retention in rapidly moving markets. It

improves performance by setting objectives and, through the process of determining objectives, encourages planning and integrated decision-making. It forces line managers to spend more conscious time on staff management. It aids cost control by linking pay increases to performance.

Performance-related pay, however, also poses several problems, both at a conceptual level and in practice. An essential part of performance-related pay, for example, is the performance appraisal, especially for those jobs where targets are not easily

quantifiable. In many schemes line managers grade their staff against a series of competences and targets, using a variety of categories, ranging, for example, from "excellent" to "poor". Several problems arise. Firstly, line managers are often reluctant to mark people as "bad", or even just as "average", with the result of a general inflation in assessments and points allocated. Many schemes take this into account now by predetermining how many staff can be assessed in each group. In a generally well performing unit, this might force managers to mark someone with a very adequate performance as average, or even below that, with a resultant knock-on effect on motivation. As one personnel manager on the Price Waterhouse Cranfield Project remarked: "The excellent performers know anyway that they are excellent, while the average or below average performers should have been picked up previously, and in any case do not agree with the assessment. The result is no increase in motivation, with greater discontent and much more work for the line managers."

This raises the related issue of consistency in the application of schemes. Assessing the performance of individuals against non-quantifiable objectives necessarily involves some subjective assessment on behalf of the manager. In order to allow this to take place in a constructive framework it is necessary for the scheme to be embraced by both subordinates and managers and for the scheme to be seen as fair and unbiased. In practice this has raised several problems of inconsistency between managers and departments, and of resultant mistrust. Personnel departments have, in many cases, had to introduce extensive training for managers involved in the process and had to devote considerable time to the proper maintenance of schemes. There is a danger of schemes becoming very paper-intensive and of creating a new layer of bureaucracy when one of the purposes of the introduction of schemes was to produce more dynamic environments. In any case there is a relatively high administrative cost connected to the introduction of schemes. One ex-director of an education authority in Britain estimated that he spent on average 3 days a month dealing with problems and appeals related to performance appraisal.

Perceived fairness also raises the issue of motivation and trust or team spirit between staff. In environments where pay was largely determined by progression through established and commonly known pay scales, such as in the British civil service for example, the introduction of performance-related pay elements often causes distrust. Performance-related pay must be discriminatory if it is to work as an incentive. But in so doing it is potentially divisive and might prevent effective team work. A board member of a German bank said that his company had stopped all practices of individual performance-related pay for this reason: should any staff discover that a colleague had been specially rewarded, staff from then on would concentrate on shooting him or her down.

Performance-related pay also raises a problem with regards to career development and lateral moves within an organisation. Schemes, of course, can be designed to encourage the acquisition of new skills; however, excellent performance, guaranteeing high merit increases, in general requires practice and dedication and might not encourage the risk of moving into a new area. In this context it might also be significant that German and Japanese companies, generally renowned for the attention to career development and, frequently, their business success, have not been as enthusiastic about performance-related pay as other organisations.

The use of performance-related pay in recruitment and retention in practice poses other problems to schemes as it opens them up to uses which are no longer related to individual performance. In France, for example, the practice of using merit or performance related pay to bring pay scales into line with market rates or take account of regional differences in the cost of living, is known as "merit drift". There is a further problem with cost control as increases, for whatever reasons, are incorporated into base pay and therefore will be carried over into future years.

Lastly, performance-related pay appears to be a tool much better placed in times of low inflation. Employees expect annual increases which cover at least rises in the cost of living. Whereas in theory the logical compendium to merit increases in good times would be cuts in pay, or at least below inflation increases in bad time, in practice such a route is likely to lead to very substantial industrial relations problems. Once high inflation produces expectations of comparable basic rate increases, pressures of international competition make much harder for organisations to give meaningful merit-related increases on top.

There might be an argument to say that most of the problems above are transitory problems linked to the introduction of schemes, and that the benefits of schemes, in terms of encouraging and focusing individual performance on company goals, outweigh these initial costs. However, as we pointed out above, the extent to which schemes are introduced in clear recognition of corporate or personnel strategies is doubtful. With the substantial costs in terms of administrative maintenance, management and training time, coupled with potential distrust and adverse affects on motivation, the question remains whether performance-related pay is really the best instrument of changing values within an organisation. In periods of change, where employees are asked to take risks and move towards new practices, they provide much potential for distrust and discontent. Other policies, such as career planning interviews, training incentives and non-money rewards might play a more constructive role as change agents.

Notes

1. The Price Waterhouse Cranfield Project is a research centre set up by Cranfield School of Management and Price Waterhouse Management Consultants in 1989 to study trends in human resource management in Europe in the run-up to the Single European Market. The research is carried out by means of an annual postal questionnaire sent to personnel directors in private and public sector organisations with at least 200 employees. In its first year the survey was carried out in Germany, France, Spain, Sweden and the UK with over 5000 valid responses. Each of the national samples are representative in terms of sectorial and size distribution. The survey is currently being repeated in the first five countries and has been extended to include an additional five countries, Denmark, Italy, Netherlands, Norway and Switzerland.
2. "Private sector" includes nationalised industries(trading); "public sector" refers to public administration, such as central and local government, public health and education.
Private sector response: France = 1174; West Germany+ 425; Spain = 359; Sweden = 239; UK = 2015. Public sector response: France = 102; Germany = 90; Spain = 0; UK = 457.
3. Questions about the level(s) of basic pay negotiation were not included in the German questionnaire because German industrial relations legislations governs this area very closely. Pilotees felt that the inclusion of relevant questions would confuse and alienate respondents under these circumstances.
4. The survey did not cover changes in the composition or delivery of benefits, such as the introduction of 'cafeteria systems' for example. For a recent article on the concept and application of cafeteria systems in Britain, see "Personnel Management", May 1990.
5. Comparative figures are not available for Germany in 1989/90.

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