Variable pay, industrial relations and collective bargaining
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Research report

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1 Background

There has been a significant and sustained growth in variable forms of pay in recent years. The panel dataset of the 2004 Workplace Employment Relations Survey (WERS) observed an increase in the use of individual or group performance-related pay schemes from 20% to 32% of continuing workplaces between 1998 and 2004 (Kersley, et al, 2006: 191). This coincided with a marked decline in workplace collective bargaining, which fell from 30% to 22% in the same period (Kersley et al, 2006: 182). Even where collective bargaining remains, much of it appears ritualistic and with limited impact on pay outcomes (Forth and Millward, 2002). On the face of it, the growth of variable pay is related not only to the demise of collective bargaining but also to trade-union weakness.

The defining feature of variable payments systems (VPS) is an explicit attempt to shift to performance-related criteria, whether focused on the individual employee, work group, establishment and/or company as a whole. Three types of VPS are conventionally identified: bonuses, including payments-by-results (PBR), where there is a direct relationship between pay and employees’ output; merit or performance-related pay based on management appraisal; and profit-related pay schemes, which entitle employees to a share of the company’s business success. In each case, the proportion of employee earnings which is ‘at risk’ is increased. This is consistent with the central role accorded to reward management in the human resource management literature, notably the idea of ‘new pay’ which emphasizes individualization and explicit links to business performance (e.g. Lawler, 1990). The growth of VPS thus potentially represents a ‘strategic’ approach to pay.

Little is known about the actual relationship between VPS and collective bargaining over pay in the private sector – whether the former undermines, leaves in place, reconfigures or even strengthens the latter (Heery, 2000). Much of the relevant literature either ignores the role of unions (e.g. Hendry, et al, 2000), or focuses on performance pay in the public sector (e.g. Marsden, 2004). An examination of VPS in sectors with substantial collective bargaining coverage thus responds to a significant gap in the literature, and adds robustness to wider inferences about the continued role of collective institutions, and managerial coherence and rationality, in decision-making over pay.

The recent growth of VPS is also an international phenomenon (van het Kaar and Grünell, 2001), yet there is surprisingly little cross-national research into payment systems. The context elsewhere in western Europe is framed, as in the UK, by increased economic openness and competition, but also by varying forms of ‘organized decentralization’ within different national industrial relations systems in which, unlike the UK, multi-employer bargaining remains a cornerstone (Traxler et al., 2001). A systematic comparative focus on the development of VPS in unionised settings adds further understanding of employer pay strategies and trade union response. It also directly
confronts the viability and governance capacity of collective bargaining in different institutional environments.

The study involved the funding of parallel projects in Austria, Norway and the UK by the respective research councils under a European Science Foundation scheme to promote collaborative research in social science. Fifteen months into the work a team from Spain commenced work on a fourth parallel project, funded by their Ministry of Labour. The partner teams were based at the University of Vienna (led by Prof. Franz Traxler); the Institute for Applied Social Science (Fafo), Oslo (led by Dr. Jon Erik Dølvik); and the Autonomous University Barcelona / University of Barcelona (led by Profs Joaquim Molins and Rosa Nonell). For each national team the study involved a two-step process: a) the compilation of a national study, whose design and implementation was closely coordinated across countries, and; b) jointly undertaking comparative analysis of the findings of the national studies. These two steps are covered from a UK perspective in this report.

2 Objectives

The overall aim of the study, as stated in the common proposal jointly prepared by the Austrian, Norwegian and UK teams, was ‘to examine the relationship between variable pay systems and collective bargaining and, cross-nationally, the impact of different national collective bargaining arrangements on this relationship’.

This was specified in terms of the following objectives:

(a) to identify the forms of variable pay utilized; managerial goals in introducing VPS, including possible conflict in goals; and issues and problems of implementation.

(b) to identify trade union responses and approaches towards the implementation and regulation of variable pay.

(c) investigation of the purchase of collective bargaining on the introduction, modalities and operation of VPS.

This would facilitate:

(d) deeper understanding of the interface between individualization of the employment relationship and collective regulation.

(e) greater understanding of the impact of differing national institutional arrangements for collective bargaining on the scope, form and (joint) regulation of VPS.

It was also intended that the research would:

(f) inform the policy and practice of employers, trade unions and public policy-makers at national and also EU levels.

The overall aim was met by the successful completion of a programme of sector-level interviews followed by company case studies in two sectors, retail banking and machinery and equipment, in four countries: Austria, Norway, Spain and the UK. Sections 3 and 4 consider the methods adopted to realize objectives (a) to (e) and report the relevant main findings, respectively. It remains too early to assess the success of the research in meeting objective (e), though the activities designed to engage the ‘user’ communities outlined below have been well-received.

1 Machinery and equipment study yet to be finalised at the time of writing this Report.
3 Methods

The research was designed to be both cross-national and cross-sectoral within a single study. A cross-national comparison maximizes institutional variety, since industrial relations differ more across than within countries. At the same time, cross-sector comparison permits a more closely structured analysis of difference and similarities both within countries, i.e. between sectors, and across countries. A comparative case study approach, although rarely used in studies of VPS (Gilman, 1998), has been described as crucial to the understanding of developments in pay (Kessler, 1994). Comparing organizations across countries provides added value, especially where a large number of cases are involved, by examining how far pay systems are tied to institutional settings and the degree to which similar causal conditions generate different outcomes.

The choice of sectors - retail banking (NACE 65.12) and machinery and equipment (NACE 29) - enables a comparative analysis of manufacturing and service sectors that have a significant presence in each of the countries concerned. Given the study's focus on the largest occupational group, the sectors also entail a contrast between wage and salary systems which remains a significant feature of UK payments systems (Druker, 2000). The machinery and equipment (M&E) sector is highly-competitive internationally. Pressures for flexibility and quality have prompted greater capital investment and new forms of working such as teamwork, placing traditional piecework systems under pressure. In banking, retail operations remain heavily domestic and profitability is high, though technological change and de-regulation have increased competitive pressures across Europe (Regini, et al, 1999). This has led to an emphasis on product sales and tighter management of cost-income ratios, prompting the replacement of traditional seniority-based pay with VPS. The two sectors thus have contrasting product and labour market contexts and different forms of work organization, but each consist of firms facing similar pressures and developments in the different countries.

For different reasons, the two sectors are significant for an examination of VPS and collective bargaining. Within each national context, both have levels of collective bargaining above the private-sector average. In banking, performance management and incentivisation means that the sector is a pace-setter in the diffusion of VPS. In contrast, the significance of M&E rests not so much on the diffusion of new forms of variable pay as on its tradition of workplace bargaining over piecework and PBR bonus systems, which are now in decline (Druker, 2000). There is, however, little recent evidence on whether newer schemes, including profit-related bonus, continue to be a focus of collective bargaining.

Institutional arrangements differ substantially between the four countries, which represent the major models of European industrial relations. More specifically, they involve differing configurations of three main features: i) multi- or single-employer bargaining; ii) the degree of articulation within multi-level, multi-employer bargaining (MEB) structures; iii) single or dual channel employee representation. Austria represents the dual system of western-central Europe marked by highly-coordinated bargaining at industry level, generalization of collective agreements, and legally-established enterprise work councils with a restricted role in pay-setting. Norway represents the Nordic two-tiered, single-channel system where centrally-coordinated agreements are complemented by local bargaining subject to strict peace clauses. The ‘Latin’ pattern is represented by Spain, which is characterized by a poorly ‘articulated’ multi-level bargaining system which grants significant discretionary capacity to company-level management and where local negotiators (which include both trade unions and works councils) are not bound by higher-level agreements. The UK represents the ‘anglo-saxon’ pattern (now also
characteristic of several central eastern European countries) of unorganized
decentralization, with no sector arrangements, a relatively low level of collective
bargaining, and a single-channel system of representation.

The research design combines a ‘bottom up’ and ‘top down’ perspective to explore the
relative importance of country, sector and company effects (Marginson and Sisson
2004:20). A series of interviews were first conducted at sector level followed by company
case studies. The data gathering and comparative analysis referred to in objectives (a) (b)
and (c) above was facilitated by the development of common interview schedules. These
were comprehensive in scope, and at company level supported by a questionnaire to
gather standard quantitative data concerning the type and importance of VPS used.
Similarly-standardized sector and company case reports were produced, circulated and
discussed amongst the teams. This joint activity, and the inferential analyses referred to in
objectives (d) and (e) above, was greatly assisted by a series of project team meetings. In
all 10 days of face-to-face discussions occurred over five project workshops held at
different stages through the project. This level of coordination also enabled the Spanish
team to become more rapidly integrated.

In the UK, the sector-level interviews were designed to identify broad trends and
developments in payments systems in the two sectors, and elicit views about these. The
fieldwork was undertaken in 2005, and involved employers’ association and trade union
officials at national level and, in M&E, regional level (West Midlands) together with a
review of relevant documentation. Official statistical sources (LFS, NES/ ASHE) and
WERS were also accessed to contribute to the sector level reports. A set of company
case studies followed, six in each national sector. The identification of cases proceeded
from a jointly-designed grid which aimed to secure international matches according to
sub-sector, ownership and firm size. The practical realization of this strategy involved
Norway, as the country with the smallest population of firms in both sectors,
commencing the process of access negotiation and the UK, with the greatest scope for
making adjustments, completing it (leaving aside the Spanish study).

The fieldwork for the UK cases was undertaken between late 2005 and the end of 2006.
The companies all recognize trade unions, and utilize VPS, for the major workforce
group; they represented a mixture of medium- and large-sized sites (in M&E) and
organizations (in retail banking). The banks included three clearing banks of different
size, a direct bank, and a large and medium-sized building society. The number of (white-
collar) employees ranged from 1,200 up to 35,000. The six M&E companies were all part
of MNCs, either US, German or UK-owned. The blue-collar workforce varied from 38
to 1,350 employees. A condition of access at most of the companies was that they would
be anonymised in any public outputs reporting the findings. Interviewees included HR
managers, remuneration specialists (in banking only) and manufacturing managers (M&E
only), and trade union officials and lay representatives. In the banks, interviews were at
company or business level; in M&E they were at site level and, where appropriate, at the
level of the relevant business within the wider group. The number of interviews ranged
from two or three in the smaller M&E companies to six or seven in the banks. Published
and internal documentary data were also utilized. Standardized case study reports were
produced to facilitate both the UK and cross-country analysis.
4 Results

4.1 The UK study

The available literature suggests that management might see VPS as an opportunity to marginalize trade unions over pay-setting as well as align pay goals and systems more closely to competitive requirements (e.g. Kessler and Purcell, 1995). On the other hand, where unions remain strong, management might be persuaded of the business benefits of implementing VPS through established channels of collective consultation and negotiation (e.g. Kessler, 2001). VPS such as profit-related pay might also be complementary to, rather than a substitute for, collectively bargained base pay (Pendleton, 1997). The case study results demonstrate a more complex and dynamic relationship between VPS and collective bargaining (CB) than either a union marginalization or ‘business as usual’ hypothesis might presume. Briefly reviewing the findings, a fuller account of which is set out in one of the nominated outputs (Marginson et al., 2007), there are evident differences, but also some similarities between the sectors in terms of profile of VPS, management rationales, union response and union involvement.

Profile of VPS. Variable pay looms larger, and operates at more levels, in the payments systems of the banks than of the M&E companies. The banks have schemes operating at variously group, sub-unit, team and individual levels, which comprise both bonus payments and – with one exception – individual merit pay. Just one of the M&E companies operates schemes at more than one level; and the predominant type of VPS is company performance bonus. Further, a greater proportion of pay is ‘at risk’ in the banks than in the M&E companies where, with one exception, the amounts involved are modest. There would seem to be a greater preference for simplicity in M&E than in banking, in both the design and scope of VPS: first, in eschewing appraisal-based merit schemes and preferring - usually - one type of bonus; and secondly in terms of standardization, with schemes built around relatively aggregate and ‘objective’ criteria, and inclusive of the broader non-managerial workforce.

Managerial objectives. There are, however, similarities between the two sectors in terms of managerial objectives. Incentive goals were muted for company performance bonuses and for merit pay, but more apparent for localized bonuses in both sectors. Cost-control objectives were identified in respect of various schemes in the banks, and company performance bonuses in both sectors. ‘Soft’, development goals were in evidence concerning merit pay, but are increasingly overlaid by ‘harder’ performance management goals. The importance of company performance bonuses in communicating business objectives was underlined by managers in both sectors. A stakeholder-reward goal was also prominent in the rationales advanced in both sectors for company performance bonuses. Hard, union exclusion goals were not immediately apparent in any of the companies.

Union responses. A shared priority for union negotiators is to maximize increases in basic pay, but the findings also demonstrate that trade unions are not necessarily opposed to VPS insofar as schemes offer additional earnings for members; provide the union opportunities to engage them more closely (concerning ‘procedural’ as well as ‘substantive’ justice); or hold the promise of improving site viability and employment security. In both sectors, unions are uncomfortable with the principle and premises of individual merit pay, though the banking unions have had to accommodate to their introduction. They have also secured influence over the procedural apparatus and substantive outcomes of the schemes (see below). In the case of bonuses, most of schemes were viewed by union representatives, as well as managers, as having been
introduced ‘on top of’ basic pay. It was only in the two cases (one in each sector) where
the scale of the bonus is such that it is seen by the union as potentially or actually
threatening the magnitude of any increase in basic pay that union concerns crystallize and
tensions with management arise.

Consultation and negotiation. Union involvement varies markedly by type of VPS. Key
dimensions of the banks’ merit pay schemes, including the size of the overall pay pot and
its distribution between rating bands, are the focus of negotiation as well as extensive
consultation. There is a widespread understanding that the outcome will deliver increases
which at least match inflation for the great majority of the workforce. In effect, this form
of variable pay has become pretty standardized. In contrast, bonus payments are less
frequently the focus of negotiation or even consultation. Amongst the banks,
management provided information about company bonus schemes and consulted over
aspects of these. In M&E, consultation over aspects of schemes – and union influence in
shaping a few of their parameters – was evident for those which were site-specific.
Consultation over supra-site performance bonuses, relating to group and divisional
performance, was, however, conspicuous by its absence. Insofar as there was any
negotiation, it occurred over those that were more local in nature. More generally, the
discretionary nature of company performance bonuses was underlined by managers in
both sectors. Their effect is to establish a management-determined element of pay that is
largely beyond the scope of collective bargaining. It is, then, in respect of this type of
VPS that an indication of union exclusion might be detected.

Overall, although unions were able to block management proposals to introduce VPS, as
at one of the M&E companies, their more general impact is in moderating schemes.
Thus, in terms of the implications of VPS for collective bargaining, the findings
demonstrate a range of outcomes:

- collective bargaining can embrace VPS alongside established conventions for
  negotiating increases in basic pay;
- collective bargaining can be reconfigured in the face of the challenges posed by
  particular forms of VPS for trade unions and their members; and
- management can successfully place some forms of VPS beyond the scope of
  collective bargaining, thereby loosening its purchase on overall earnings.

These ‘variable implications’ are shaped by the nature of VPS schemes, the level at which
they operate and by the characteristics of the two sectors.

The differences between the two sectors, particularly the significance of variable pay for
earnings and the nature and multiplicity of the schemes adopted, can be explained in
various ways. Firms in M&E operate in more international markets, which contributes to
lower margins and profits than in the banks. This means that efforts to meet employee
concerns over real basic pay, linked to recruitment and retention as well as motivation,
leaves less to play with over variable forms such as bonuses. In contrast, banks have been
better placed to use bonuses and profit-related schemes to drive culture-change
initiatives and to incentivise and reward staff without adding to fixed costs. The growth
of these forms of VPS has also helped contain the overall pay pot, which remains linked
to inflation rather than ability to pay. This leaves less scope for dispersion in the merit
pay schemes that distribute it. In turn, this enables employers to accommodate trade
union concerns over individualization whilst maintaining the performance-management
systems underpinning appraisal-based schemes intact. There are relevant differences at
workplace level, too. Bank branches, for example, are customer-facing service operations
where individual employees can influence levels of sales. In M&E work is more highly
integrated and collective, meaning there is less rationale for individualized incentive schemes.

The overall picture, then, is mixed. In both sectors, the introduction of variable pay has not undermined collective bargaining in the sense of its core focus on delivering inflation-based increases to basic pay. Yet the proportion of employee earnings that is determined without collective bargaining has grown.

4.2 The international comparison

The comparative analysis of findings is still underway (and the Spanish M&E case studies have still to be completed). Early results are contained in three papers presented at the 8th European IIRA congress in September 2007, one of which is a nominated output (Arrowsmith et al., 2007). The papers cover different dimensions of the regulation of VPS, i.e. managerial strategies, union approaches and the impact of different collective bargaining systems. Key findings concerning the latter for each sector are summarized below.

The differing institutional configurations of collective bargaining (single- or multi-employer; single or dual representation channels; degree of articulation) might influence the nature and regulation of VPS in the following ways. First, comparing single-employer (SEB) with multi-employer bargaining (MEB), greater variation between companies is anticipated under the former due to the absence of a sector-level framework. Furthermore, schemes under SEB have greater scope to be employer-driven and with greater quantitative significance in earnings. Second, comparing dual with single-channel representation, lower union influence over company-level pay systems under the former implies greater concern for a tighter sectoral framework which in turn might result in more limited development of VPS. Conversely, employers may be more tempted to unilaterally introduce VPS at company level. Third, concerning articulation between levels, in comparison to strong, formal, provisions (as in Austria and Norway), weak articulation (as in Spain) is likely to be reflected in greater diversity of VPS at company level and a higher incidence of employer-driven schemes.

**Banking**

Comparing MEB and SEB, there is partial support for prior expectations. VPS in the UK, but also in Spain (see below), is noticeably more employer-driven than in Norway.

In Austria, the picture is bifurcated between savings banks, where VPS has developed within a frame set by the sector agreement, and commercial banks where there is no such frame and VPS has developed unilaterally. These differences overlap with the incidence of different types of VPS. Multiple VPS are apparent in the majority of cases, and there is seemingly no greater diversity of VPS in the UK than in the other three. Individual performance pay is subject to collective regulation in Norway, the UK, Spain (less so) and the Austrian savings banks, but excepting Spain accounts only for a small proportion of earnings. Bonuses and profit-related pay loom larger in quantitative significance in Spain and the UK, and in all countries are less susceptible to collective regulation. Hence, quantitative significance of VPS is greatest not only under the UK’s SEB but also under Spain’s MEB system. It is lowest in Norway.

Expectations concerning the relevance of single versus dual channel are confirmed. First, frameworks governing VPS in Norway are more effective in regulating actual pay developments than those in the Austrian savings banks. In Norway the local union expects to advise and support members in their performance pay interviews, whereas in Austria the sector framework – which the union regards as binding – is viewed by works councils as only a recommendation. Concerning individual performance pay, the
situation in the (single-channel) UK is not dissimilar to that in Norway. Second, employer-driven VPS is more apparent amongst Austria’s commercial banks, where there is no VPS provision in the sector agreement.

Considerations of articulation between levels are crucial in accounting for differences between the MEB systems. There is a clear contrast between the Spanish cases, on the one hand, and the Austrian (savings) and Norwegian ones, on the other. VPS in Spain tends to be employer-driven and determined. Even though Spain is the only case where sector agreements set substantive clauses on VPS, any impact is neutered by the widespread management practice of ‘absorbing’ sector-based increases to help fund company-based VPS. Weak articulation leaves local union and works council representatives relatively powerless to influence VPS.

Machinery and equipment (3 country comparison)

Comparing MEB with SEB, at first sight variable pay in the UK is, as anticipated, noticeably more employer-driven than in Austria and, especially, Norway. VPS are rarely integrated into collective bargaining in the UK, but frequently so in company-level negotiations in Norway. In Austria, the sector level agreement recently adopted a new VPS to be implemented by 2010; at company level, works councils use their codetermination rights to protect or negotiate-out existing PBR-type schemes. Once account is taken of different types of VPS, an additional interpretation is suggested. Individual merit pay, which is the focus of negotiation in several of the Norwegian companies, is hardly found in either Austria or the UK. Conversely, the predominant type of VPS in the UK – company performance bonus – is also not susceptible to negotiation where it occurs in Austria and Norway. This prompts the possibility that SEB encourages different types of VPS to those promoted under MEB.

Two further expectations were not confirmed: the diversity of VPS in the UK was no greater than in Austria or Norway; and the quantitative significance of VPS in the UK was, on average, no greater. The first might suggest that employers are influenced by practice in other, leading, companies. Yet, although companies are competing in highly internationalized markets, any isomorphic processes seem not to reach across borders. The exception was in the two multinational companies which had operations in the UK and, respectively, Austria or Norway, where similar schemes had been implemented in both countries. The second might stem from the priority which employers in all three countries place on meeting employees’ basic pay expectations, especially given tight labour markets, and a context of low or uncertain operating margins which served to limit the sums available for VPS irrespective of bargaining arrangements.

Concerning the relevance of the single-, dual-channel difference between the two MEB countries, expectations are largely confirmed. Unions in Austria have, through the sector agreement, sought to frame its development at company level, whereas in Norway the central agreement permits a range of VPS so long as their implementation is consistent with certain general criteria. Unions in Norway are also more engaged with company-level VPS, through processes of information and consultation, as well as negotiation, than their works council counterparts in Austria. These tend to be involved only insofar as they have codetermination rights (which apply to some types of VPS but not others). In this respect the situation in the UK is more similar to Norway. Some Austrian companies have also introduced employer-determined VPS (as anticipated). Finally, in respect of articulation between levels, in the absence of the Spanish cases, differences between Austria and Norway correspond to the greater difficulty that dual channel arrangements pose for synchronization across levels.
Overall, these findings underline the analytical potential which derives from conceptualizing national collective bargaining systems in terms of more than one dimension, a point which is returned to below.

4.3 Conceptual contribution

First, the research responds to debates about the unfolding individualization of the employment relationship and how this fits with collective regulation (Brown, et al, 2000). By analysing the purchase of collective bargaining on the introduction, modalities and operation of VPS, broader insights are generated concerning the interface between industrial relations, which is intrinsically collectivist, pluralist and tends to be seen as conservative, and human resource management, which is generally characterized as inclined towards individualism, unitarism and innovation. For example, Guest identified the principal goals of HRM to be integration, employee commitment, flexibility and quality of work, in which ‘trade unions are unnecessary or at best marginal’ (1987: 518). Our results show that management use pay-systems change towards these objectives, but with mixed effects for trade unions. Hence, in retail banking, individualization of base pay has tended, over time, to become nominal in the face of successful union engagement on changed terrain. At the same time, unions have been less successful in getting a grip on, and more reluctant to engage with, the growth of bonuses and profit-related pay. Such a dynamic and multi-faceted view of VPS suggests that classification of HRM is more complex than at first seems.

Second, comparative analysis of the cases within and between the two sectors also facilitates broader interpretations about the ‘strategic’ nature of organizational pay policy and practice. The ‘firm-in-sector’ approach has made important contributions to the analysis of organizational change by stressing the importance of both environmental context and actors’ normative and collaborative networks (e.g. Loveridge and Pitt, 1990). The two-sector, multiple case study method applied here enables us to systematically utilize a compare/contrast technique to help further explain organizational decision making in terms of sectoral dynamics. For example, we find that there is a bigger range of VPS used in banking than M&E, and that it accounts for a higher proportion of earnings; at the same time, there is less diversity in VPS practice within both sectors than might have been anticipated. This suggests that agency operates within boundaries shaped by technologies, and product- and labour-market environments (Arrowsmith and Sisson, 1999). Analysis of results within and across the sectors highlight specific factors to do with market concentration and internationalization; levels and predictability of demand; capital intensity and profitability; growth and ownership patterns; skill requirements, labour demography and organization; and pace of technological change. This reinforces the salience of recent calls for institutional analysis to take a broader (Davis and Marquis, 2005) and ideally comparative (Pettigrew et al., 2001) view of developments in ‘organizational fields’.

These factors also mean that VPS represents different forms of strategy in the two sectors. In banking, elements of reward strategy can be described as ‘emergent’ (Mintzberg and Waters, 1985) as intentions adapt over time to changing reality. For example, merit pay was originally introduced in banking to differentially reward and motivate staff towards higher performance, but this goal gradually withered as a combination of circumstances meant limited funds were made available. These systems were maintained in order to reinforce performance management objectives concerning communication of business goals, performance monitoring, job redesign and staff coaching. Instead, incentivisation came to be served by a variety of bonus schemes. This differentiation also enabled management to assuage union concerns over the
individualization of basic pay whilst increasing the proportion of earnings outside of collective bargaining. Differences within the sector partly reflect ownership and product market considerations: for example, building societies emphasize more collective, ‘stakeholder’ VPS schemes; the direct bank aims for a simple approach without the need for merit pay, reflecting both the nature of its work organization and the need to improve labour retention. In M&E, strategy can be characterized as more ‘deliberative’. This is because intense competition means greater and speedier customer responsiveness, placing a premium – reflected in payment systems - on teamwork, flexibility and quality as well as output and cost considerations. Piecework has thus been abandoned, with companies favouring new, collective bonuses to structure collaborative work behaviours and encourage unitarist employee perceptions. Simplicity is also favoured for both administrative efficiency and transparency in a rapidly changing environment.

Third, and turning to the comparative analysis, the findings offer support for the view that in countries with MEB, the forms which organized decentralization takes exercise a crucial bearing on the continued capacity of employers’ organizations and, more particularly, trade union to influence developments at company level (Marginson and Sisson, 2004; Traxler et al., 2001). Particularly relevant is the differentiation of MEB arrangements according to whether representative arrangements are single- or dual-channel, and the degree to which the different bargaining levels within the system are articulated. The findings are instructive in the contrasting implications they suggest for organized decentralization in the single-channel systems found in the Nordic countries, where the process can be synchronized by unions as responsibility and resources move from central to local levels, as compared to the impediments which the dual-channel systems characteristic of western-central Europe pose, where unions are reluctant to cede increased authority to formally independent works councils (see also Ilsøe et al., 2007).

Finally, and relatedly, the research responds to debates concerning the saliency of path dependency within national industrial relations systems and whether there is a trend for convergence between them. The results broadly support the view that decentralization and increased competitive pressures are promoting increased diversity within countries at the same time as practice within organizations in a given sector bears closer resemblance across national contexts (Katz and Derbyshire, 2000; Marginson and Sisson, 2004). The analysis refers to a ‘fading path dependency’ in that national systems remain more or less formally resilient but, in terms of VPS, there are observable tendencies to sectoral convergence at firm-level. However, it also stresses the continuing relevance of both sector and national contexts. For example, path dependency and inter-country diversity is more resilient in M&E than in the banks, despite its more intense internationalization. This owes much to a different balance of bargaining power which reflects the continuing importance of trade union organization and the fact that intense international competition simultaneously increases employment vulnerability whilst enhancing trade union disruptive capacity.
5 Activities

a) Papers presented at academic conferences

NB: Authors from the Austrian, Norwegian and Spanish teams are indicated in italics. Papers are available at: http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/publications/recentconf/

- J Arrowsmith, P Marginson and M Gray ‘Variable pay and collective bargaining in UK retail banking’ 2006 BUIRA Annual Conference, Galway, June 28-30th.
- P Marginson, J Arrowsmith and M Gray ‘Undermining or reframing collective bargaining? Variable pay in two sectors compared’ 2007 Pay and Rewards Conference, Manchester, March 29th.

b) Engagement with non-academic users of research

Perspectives on developments in payments systems and in collective bargaining were elicited in an initial set of semi-structured interviews with senior officials / representatives of employers’ organizations and trade unions at national and regional levels in the two sectors.

A report summarizing and synthesizing the findings from the company case studies, and comparing developments in the two sectors, was sent to the sector-level respondents and to the lead management and employee representative respondents in the twelve companies participating in the research in July 2007.

Key findings from the study were presented to the CIPD’s ‘Research in Practice’ Conference on Reward in July 2007, accompanied by a paper.

A feature on the research will be prepared for the next (spring 2008) issue of IRRU Briefing, which disseminates the main findings of IRRU research to a wide audience of senior practitioners and policymakers.

The findings from the comparative analysis will explicitly inform an EU-wide comparative analytical report that the award holders have been contracted to supply for the European Foundation’s European Industrial Relations Observatory (www.eiro.eurofound.eu.int) in early 2008. This will engage a research network across the EU, with results disseminated to academics, practitioners and policy-makers in all member states.

c) International project workshops

Five international workshops, involving the Austrian, Norwegian, UK and latterly Spanish research teams, were convened during the course of the project (two in Vienna,
and one each in Oslo, Warwick and Barcelona). In total this involved ten working days of face-to-face discussions, supported by ongoing, remote collaboration. These meetings decided the research design and propositions; common research instruments; characteristics of case study companies and the access process. They also permitted presentation and discussion of reports of the sector-level findings and company cases; organisation, both analytically and practically, of the comparative analysis; and the approach on dissemination.

6 Outputs

As indicated in section 5a, the following conference papers are available at: http://www2.warwick.ac.uk/fac/soc/wbs/research/irru/publications/recentconf/

J Arrowsmith, P Marginson and M Gray ‘Variable pay and collective bargaining in UK retail banking’ 2006 BUIRA Annual Conference, Galway, June 28-30th.

P Marginson, J Arrowsmith and M Gray ‘Undermining or reframing collective bargaining? Variable pay in two sectors compared’ 2007 Pay and Rewards Conference, Manchester, March 29th.


Of these papers, Marginson et al (2007) is under review with Human Resource Management Journal. Arrowsmith et al (2006) is being revised with the intention to submit to British Journal of Industrial Relations. The three papers presented at the 8th European IIRA Congress are also to be revised, with a provisional decision to submit to International Journal of HRM, European Journal of Industrial Relations and Work, Employment and Society, respectively.

Further outputs, either completed or in draft, are:


7 Impacts

The summary report prepared for organizations participating in the research has been well received, with positive comments from both employer and trade union respondents. The relevance of the research to practitioners was underlined by the invitation from CIPD to present findings at the July 2007 ‘Research into Practice’ Conference. The proceedings are synthesized into a publication by CIPD, which is widely circulated as hard copy and online to HR professionals.

8 Future research priorities

The canvass of the present enquiry could be purposefully extended through a companion study examining the implications for collective bargaining arrangements of growing flexibility in working time arrangements. Alongside pay, working time has long been at the core of the substantive agenda for collective negotiations. Yet alongside this basic similarity, there are also important differences between the two. For example, there is no equivalent of the annual pay round in negotiations over working time; yet changes in working time arrangements will often have implications for earnings (e.g. suppression of overtime invoked by annualized or ‘corridor’ hours). Working time arrangements are also more directly linked to work organization. Indirect evidence from the field research suggests that securing adaptation and change in these may induce a relative conservatism on the part of management towards policy on pay and payments systems. Further, the individualization of working time has been accorded less prominence by advocates of strategic HRM than has remuneration policy. Working time flexibility has also been a central driver of organized decentralization amongst Europe’s MEB systems. A companion analysis of variable working time and collective bargaining would therefore provide a valuable comparative lens on the wider HRM, industrial relations and comparative institutional questions addressed by the present study.
References


