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**TRANSITIONS IN LOCAL GOVERNMENT
PAY ADMINISTRATION**

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1. Introduction

Policies for determining salary levels for public employees are under transition in many countries. The changes involve both the way salary plans are administered and the values determining compensation policies. The transition represents a global movement to reduce the size of public sector payrolls and to make government organizations operate more efficiently. In many countries there is a clear desire to create a different work place culture in the public sector. Flexible and individualized pay systems are seen as the instruments for implementing these reforms.

In Sweden a variety of political and economic forces contributed to a rather dramatic movement away from centralized and collective bargaining over salaries and wages and a wage policy that sought to minimize the size of earnings differentials among different groups of workers. Salary setting has become much more flexible in the public sector and the collective bargaining process at the national level has unravelled for most local government employees (Wise 1992). At the same time, decentralization of government administration has put new responsibilities in the hands of local government officials.

The shift in attitudes and values regarding the norms for determining public sector salaries is among the most significant of the transitions underway in Swedish public administration. There is a clear demand to make government operations more cost efficient and competitive, and in some places, such as schools and hospitals, competition for clients is already apparent. At the local level of government, individualized pay for public employees is generally seen by authorities as a necessary and desirable shift in public administration.

In a period of decentralization and greater flexibility in setting wages and salaries, the significance of policies and practices executed by one employer become increasingly important for explaining skill development among workers and the flow of labor. Internal labor markets, based upon the policies and practices of single employers, begin to fill the void left by the decline in strong central labor market policies. For this reason, it is important for local authorities to distinguish among the standards for setting salaries according to their potential effects on incumbent and potential organizational members.

The extent to which new pay setting policies can successfully replace traditional equity oriented and solidaristic wage structures remains to be seen. Despite the rhetoric in favor of reforms in pay-setting practices and significant changes in administrative structures, it may be that old policies and values are so well entrenched that they linger as a shadow structure functioning as the real determinants of the distribution of monetary rewards. Consequently, it is important to assess the strength of traditional parity or

equity based values in local government and the potential for implementing competitive and individualized pay structures successfully.

The study begins with a brief discussion describing the traditional parity principles for setting public sector salaries. It then presents evidence that speaks to the strength of these parity principles and their current relevance for understanding the way salaries are being determined in local governments in Sweden. Some conclusions are drawn which among other things suggest that the equity principle is still strong in Sweden and the range of variance in pay rather narrow. The transition toward performance-based pay therefore presents a special challenge to local government managers who must find unique solutions compatible with prevailing norms and values of the Swedish work place.

From the American experience, the path toward productivity-based pay systems in government can perhaps best be described as a very slippery slope. This is not to say that productivity-based and other individualized pay systems cannot succeed, but rather to point out that the transition poses a complex political and managerial problem that must be solved within the constraints of the structure and culture of each organization.

Changes in the criteria for setting pay toward a more individualistic and competitive structure set off ripple effects in related functions that local managers and personnel administrators should recognize. Research indicates that organizations will vary in the extent to which they can support different kinds of contingent-pay systems and these different capacities need to be considered in attempts to use productivity standards.

2. Principles for setting public sector pay

The standards for setting public sector salaries can be divided into two categories. One involves parity principles which are concerned with the relative status of different occupational groups. These factors are the underpinning of solidaristic wage policy and have traditionally had a strong influence on salary policy in Sweden. A second category of standards for setting pay involves competitive pay standards which concern the relative status of individuals within the salary structure and attempt to use salary differentials as a way to recruit, retain, and motivate employees. A variety of individual standards including market supplements, pay-for-knowledge supplements, performance-based pay, and merit pay have been tried by different public employers.

Parity involves both the level of pay equivalence between members of different professions, as well as within one professional group. The first can be thought of as an issue of external alignment between one profession's salaries and those of another profession's and the second as a form of internal alignment within the occupational group itself. Figure 1 summarizes these constructs.

FIGURE 1.
TRADITIONAL PARITY STANDARDS
FOR SETTING PAY LEVELS

I. EXTERNAL ALIGNMENT FACTORS AFFECTING PARITY BETWEEN PROFESSIONAL GROUPS

A. Career Entry: Market parity for entry level jobs requiring similar skills and education to assure an adequately skilled labor pool.

B. Career Retention: Market parity for experienced workers with similar skills and education to assure ability to retain highly qualified members of a profession.

II. INTERNAL ALIGNMENT FACTORS AFFECTING PARITY WITHIN A PROFESSION

A. Status Equivalence: Internal equity within a profession among different occupational levels in the same job family.

B. Skill Equivalence: Internal equity within a profession based upon levels of training or experience.

C. Sector Equivalence: Internal equity within a profession regardless of the region's or organization's resources or profitability.

1. External Alignment. External alignment, sometimes referred to as the principle of pay comparability, between professional groups involves two different standards for setting salaries. One pertains to the extent to which parity is achieved between professionals in starting salaries, which can also be called the career entry standard. The extent to which salaries for one professional group remain competitive with those of other occupational groups as workers gain experience over time can be referred to as the career retention standard.

These parity principles can be justified as appropriate determinants of pay levels based on different grounds. One is to argue that employers should offer employees a comparable return for their skills, training, and experience because it is a form of fair treatment. This is a normative standard widely shared in trade union policy statements as well as in public sector organizations, which often see themselves as "model employers" who set an example for other employers. There are also rational economic arguments. Parity in starting salaries can be supported on the belief that individuals choose careers based upon the level of pay offered. In order to attract bright and talented members of the labor pool into a particular professional group, the starting salaries must be equal to those offered in alternative professions. The career retention standard can be justified on the basis that it prevents occupational withdrawal and assures that experienced professionals are not persuaded to leave a field by higher median salaries or better lifetime salary development in similar professional fields.

2. **Internal Alignment** Issues of internal alignment, the equivalent pay standards, concern the size of salary differentials within a profession. The principle of equal pay for equal work represents the notion of internal alignment. The criteria for setting differentials and the spread of salary levels within a public organization or jurisdiction are factors affected by management policies, professional association policies, economic conditions, and social norms. Three different standards can be identified as criteria used for making differentiations within an occupational group.

One of these standards is status equivalence; it involves variations among different categories of workers in the same job family based upon the circumstances in which they work. Salaries for teachers, for example, can be based upon the grade or age of the students with whom a teacher works. Similarly, salaries for care givers can be related to the age of their patients.

Another internal equity standard is skill equivalence, which involves setting pay rates differently for people based upon their educational training or experience. Age has sometimes been used as a proxy for experience in West European countries including Sweden, Germany, and the Netherlands. The practice of awarding supplements over base salary to compensate those individuals who perform additional tasks or take on responsibilities outside their normal professional scope is increasingly accepted as a basis for such differentiations.

A third internal equity standard, sector equivalence, pertains to variations in salaries related to the sector, region, or organization in which a person happens to be employed. Where national standards are used to set pay levels for a professional group, there might be some special supplements for people willing to work in less desirable geographic areas. Sweden currently has a national salary schedule for teachers, but some teachers receive a supplement for working in particularly cold climates.

3. Empirical evidence

This section presents evidence with respect to the standards of pay presented earlier. The discussion begins with parity factors related to external alignment, turns to questions of equity within the profession, and then addresses evidence pertaining to the effects of individualization and competitiveness in salary setting. Ratios are used as a simple indicator of the relative size of differences observed; a ratio of 1.00, or unity, would represent full parity.

Career Entry Standard. The career entry standard can be assessed using salary data for recently examined workers in different professional areas. Table 1 provides monthly salary information for men who recently received degrees in eleven different professional

areas and are working in local governments. Of all the fields considered, those trained in law commanded the highest salaries which were 25 percent greater than those whose degrees fetched the lowest earning, arts and humanities. The parity ratio is a moderately strong 1.57. Substantial earnings differences between those trained in the humanities and architecture, economics, and civil engineering are also evident.

Table 1. Entry Level Salaries in Local Government for Men in Certain Professional Groups in SACO

Degree Area	Salary	Ratio to Library Science
Architecture (Arkitekt)	15365	1.26
Behavioral Science (Beteendevet.)	13194	1.08
Library Science (Bibliotelarie)	12225	1.00
Economist (BA) (Civilekonom)	15281	1.25
Civil Engineering (Civiling.)	16084	1.32
Arts (Humanist)	12357	1.01
Law (Jurist)	19247	1.57
Natural Science (Naturvetare)	13813	1.13
Social Science (Samhällsvetare)	14393	1.18
Physical Therapy (Sjukgymnast)	12343	1.01
Social Studies (Socionom)	15638	1.28

Source: SACO, unpublished data for August 1990. Entry is defined as 0 to 4 years after examination date. Monthly salaries are reported in Swedish Crowns. Ratio is computed by the author by dividing each monthly salary by the lowest salary rate.

Career Retention Standard. Professional unions argue that salaries must provide adequate development for increases in experience and education to retain members in a professional group and the logic is consistent with employers' efforts to keep competent and trained members of their organization. Salary differences between occupational groups provide some indication of the competition for human resources and the likelihood that people will be drawn out of one field and into another.

As the data in Table 2 indicate, relative earnings for different professional groups at mid-career in local government show rather sharp disparities in earnings, particularly when compared to the lowest paid group, physical therapist. Men working in local

government with degrees in physical therapy receive about two-thirds as much as architects, economists, civil engineers, and lawyers. Their wages are closest to those who received degrees in arts and humanities where the parity ratios equalled 1.11. In comparison, the ratios between physical therapists and lawyers and civil engineers both exceed 1.60, and the ratios for architects and economists exceed 1.50.

Table 2. Negotiated Monthly Salaries for Mid-Career Male SACO Members in Local Government by Academic Degree Area, August 1990

Degree Area	Men	Ratio to Phys. Therapy
Architecture (Arkitekt)	22249	1.56
Behavioral Science (Beteendevet.)	19841	1.39
Library Science (Bibliotekarie)	15258	1.07
Economist (BA) (Civilekonom)	22181	1.56
Civil Engineering (Civiling.)	23245	1.63
Arts (Humanist)	15882	1.11
Law (Jurist)	23317	1.64
Natural Science (Naturvetare)	18386	1.29
Social Science (Samhällsvet.)	20644	1.45
Physical Therapy (Sjukgymast)	14257	1.00
Social Studies (Socionom)	19605	1.38

Source: SACO, unpublished data for August 1990. Mid-career is defined as 15 to 19 years after examination date. Monthly salaries are reported in Swedish Crowns. Ratios are computed by the author by dividing each monthly salary by the lowest salary level.

Internal Alignment Factors

Some evidence regarding the strength of three different standards for promoting equity within a profession is considered here. Data from the field of education provide insight into the first two standards, status equivalence and skill equivalence.

Status Equivalence. Status equivalence pertains to equity within the different categories of positions within one occupational field. Variations among different kinds of teachers are example of status equivalence within the educational profession. Ratios between primary school teachers and other teachers range from less than one (.97) to 1.09 as seen in Table 3. From an American perspective, the level of pay equivalence appears rather

strong, particularly since these data include individual adjustments over the collectively negotiated salary levels and include two administrative posts.

Table 3. Status Equivalence Ratios by Level among Swedish Teachers included in the Collective Agreement, 1990

Level	Ratio to Primary
Primary	1.00
Middle	.97
Adjunct	1.03
Subject Specialist	1.09

Source: Unpublished data, National Agency for Government Employers (SAV), April 1991. These data reflect individual increments over the negotiated salary agreement.

Salary data from one large city pertaining to the wage spread among educators who are not part of the collective salary agreements for teachers provide some insight into the effects of decentralization and more flexible salaries. As the data in Table 4 show, the salary spread among people working in the field of education in one of Sweden's largest cities who are not part of the collective agreements regarding teachers salaries are greatest for school managers. A wage spread indicator of 27 percent was obtained for this group in comparison with smaller figures of 19 percent and 18 percent for the other categories. The monthly spread for school managers ranged by almost 6 000 crowns, in comparison with a difference of about 4 500 crowns among school teachers. Within this category, school principals experienced slightly greater wage disparity than was found among assistant principals.

These figures are important because they reflect the effects of individual salary supplements, yet they are not indicative of particularly wide dispersion in salary levels. In interpreting these indicators of wage spread, note that for the range of full-time positions in local government in 1985 Statistics Sweden observed a wage spread of 25 percent for women and 45 percent for men using the same method (SCB 1987). Similarly, an analysis of wage disparity members of the national civil service systems in the National Civil Service identified a wage spread of 27 percent in 1985. Wage disparity among comparable American civil servants was 129 percent for the same period (Wise 1990). Of course, under most circumstances salary spread should be

expected to be more narrow within one job title than it is for a professional field or sector.

Table 4. Wage Spread among Teachers with Individualized Salaries in One Large City, March 1992.

Title	P10	Median	P90	% Spread $P90-P10/m*100$
School Teachers	13060	16100	17500	18
College Teachers (Högskola)	14370	16620	17500	19
Counselors	13000	14680	15800	19
School Managers	19500	21610	25310	27

Source: Unpublished data, for March 1, 1992. The wage spread (Lönespridning) in percent is computed by subtracting the salary level at the 90th decile from the salary level at the 10th, dividing it by the median, and multiplying by 100.

Skill Equivalence. Skill equivalence involves differentials related to training or experience, or salary development related to age. A concern related to solidaristic and equity based pay policies is that salary differentials between different skill levels eventually become too small to motivate employees to acquire job related skills and invest in professional career development. Put in current terms, people lack an economic incentive to invest in their own human capital.

Using an employee's age as a proxy for experience, salary development appears rather moderate for teachers as the ratios for men and women in the teaching profession given in Table 5 indicate. The maximum increase over average entry level earnings for men is 1.35 and the average maximum increase for women is slightly less at 1.28. Note that among Americans these ratios are usually achieved among teachers in their thirties and forties (Wise & Lindholm 1992).

Table 5. Average Salary Development by Age Group and Sex for Swedish Teachers in Secondary Schools, September 1990

Age Group	Males SEK	Ratio to 25-29	Females SEK	Ratio to 25-29
25-29	14037	1.00	13498	1.00
30-34	15127	1.07	14559	1.07
35-39	16133	1.14	15320	1.13
40-44	17256	1.22	16308	1.20
45-49	18261	1.30	17025	1.26
50-54	18974	1.35	17229	1.27
55-59	19076	1.35	17358	1.28

Source: Statistics Sweden, Löner och sysselsättning inom offentlig sektor, 1990. (Stockholm: Statistics Sweden, 1991), Table 10. Ratios are computed by the authors based on arithmetic average of September salaries in Swedish Crowns of full-time teachers in general secondary schools.

Sector Equivalence. An important tenet of Swedish solidaristic wage policy is that salaries for similar work should not vary across geographic regions. There has been a clear retreat from this policy in recent years. Special supplements over a set salary level are becoming increasingly popular on the one hand and, on the other hand, movement toward locality pay is more common.

For the five academic degree areas shown in Table 6, local governments are more likely to pay comparable wages with the state sector than with the private sector. Base monthly salaries for librarians, civil engineers and lawyers were only one point astray from unity. In comparison, for four of the five professional areas considered, local governments paid less than the private sector. Male lawyers, however, appear to have better salaries in local government than in the private sector.

Table 6. Sectoral Parity for Mid Career Male SACO Members by Certain Degree Areas, August 1990. (Negotiated Monthly Salaries)

Degree Area	Local divided by:	
	Private	State
Architecture Arkitekter	.94	.94
Library Science Bibliotekarie	.93	.99
Civil Engineering Civiling.	.85	1.01
Law Jurister	1.12	1.03
Physical Therapy Sjukgymn.	.83	--

Source: SACO, unpublished data for August 1990. Mid-career is defined as 15 to 19 years after examination date.

Variations in the Health Care Profession. Although registered nurses and other county health care workers who are members of SHSTF were among the first to embrace decentralized salary setting, variations in average earnings among nurses working in hospitals and clinics in Sweden's three large urban areas are relatively narrow, as seen in Table 7. Of the three urban areas, Göteborg is the wage leader in both 1989 and 1990, but the differences are rather small. Average salaries for SHSTF members are very close in the Göteborg and Malmö; there is only a small difference amounting to 194 crowns in monthly earnings in 1990. A difference between Göteborg and Stockholm is apparent, but that declined between 1989 and 1990, when salaries in Stockholm area hospitals increased by 15.1 percent relative to a 13.1 percent increase in Göteborg. Variations in regional wage differentials are somewhat more apparent at the county level. When the average monthly salary in Bohuslän is compared with the average monthly salary in Norrbottenslän, a difference of 953 crowns per month or a ratio of .93 is obtained using November 1990 data ((SHSTF 1990).

Table 7. Variations in Average November Salaries for SHSTF Members in Three Large Cities

	1989	ratio to Göteborg x/Göteborg	1990	ratio to Göteborg x/Göteborg
Göteborg	12 243	1.00	13 842	1.00
Malmö	12 146	.99	13 658	.99
Stockholm	11 662	.95	13 419	.97
Other local govts excluding Gotland	11 926	.97	13 477	.97

Source SHSTF, "SHSTFs lönestruktur 1990," internal mimeo. Figures do not include the so-called "årsarbetare" for group 1 employees.

Variations among Local Managers. Greater disparity in wages can be found today when individual positions are considered. For example, there is rather wide variation among local authorities in the salaries they offer top officials. City managers (Stadsdirektor) are a case in point. In January 1992, Göteborg offered a monthly rate of 61,725 crowns while salaries in smaller cities ranged from close to 40,000 crowns to 50,000 crowns. In comparing salaries for local executives in Göteborg with those of Stockholm, however, those on the west coast appear to be disadvantaged by those in the capital city. The salary for Göteborg's personnel director, for example, was 14 percent less than Stockholm's and its building manager lagged Stockholm's by 16 percent (Waikla 1992).

Regional Variations among Educators. Regional variations are evident among teaching positions as seen in Table 8. The far northern county of Norbotten which is economically depressed reported the lowest salary level for managers of pre-school institutions and pre-school teachers but it offered the highest wage for school principals and assistant principals. Internal alignment within the education profession is thus also in flux.

Evidence of greater regional wage spread among members of the education profession is apparent from the 1990 salary agreements. The average salary increase for the year was 5.1 under the local government negotiations. Within this group some municipalities increased salary levels by as little as 2.3 percent while others made an improvement of more than 12 percent for the same period (Ösgård 1991).

Decentralization of wage setting appears to already show evidence of expanding salary differentials. Among teachers, for example, greater variation across the counties in salary levels for certain positions was observed in 1990. Regional variations were sharper for lower paid jobs than upper level positions like school principal and pre-school managers.

Table 8. Wage Gap between Highest and Lowest Paying County in Sweden for Certain Educational Posts in 1990

Position	Percentage Low/High
Principal	91 %
Pre-school Managers	93 %
Ass't Principal	90 %
Career Advisor	79 %
Dance & Music Teachers	88 %

Computed from Ingela Ösgård, Lärarnas Tidning nr. 7/91, "Lönespridningen ökar efter lokala påslagen."

4. Summary

The study examines the relative strength for salary setting of factors related to external and internal alignment in local government. External factors include comparability in starting pay between professions and the comparability of pay for experienced professionals in different occupations. Internal alignment factors pertain to the level of equity within a profession and included three measures. Status equivalence involves the extent to which pay varies according to the kinds of clients with whom an employee works. Skill equivalence concerns variations related to differences in experience or training. Sector equivalence measures variations between local authorities and regions. Pay setting factors that affect the relative status of a professional group working in different organizations or sectors to other similarly trained professionals are indicators of external alignment in salaries. Entry and mid-career salaries which affect retention are of interest here.

Career Entry. The data presented in Table 1 identified moderate differences in starting salaries among similarly trained male members of one professional trade union. Ratios ranged from very close to parity at 1.01 to a moderately strong difference of 1.57.

Career Retention. The data presented in Table 2 show a similar range among equally experienced male members of one professional trade union. The ratios ranged from 1.07 to 1.64.

Status Equivalence. According to the data presented in Table 3, very little difference occurs within one professional group based on client level. Ratios for teachers ranged from .97 to 1.09. Data presented in Table 4 for educators with individualized pay indicated relatively narrow wage spread among different categories of teachers and counselors, but somewhat larger spread for school managers (that is, principals and assistant principals). Even for managers, the spread could not be judged wide with a disparity of 27 percent.

Skill Equivalence. Table 5 presents evidence that suggests that skill equivalence is associated with somewhat stronger disparity in wages than status equivalence among teachers covered under the national collective bargaining agreement. Ratios between groups ranged from 1.07 to 1.28.

Sector Equivalence. According to the data in Table 6, sector equivalence varies according to occupation and the sectors compared. Generally, differences between the state and local sectors were relatively small while differences between local government and the private sector were larger, particularly for civil engineers and physical therapists.

5. Discussion

Traditional public sector pay standards related to internal and external parity are distinctly different from those that are based on some measure of an individual's value and contribution to an organization or the collective contribution of a group of employees.

Salary setting standards and the way monetary rewards are administered motivate different kinds of behavior. One impact of salary setting standards is on membership or loyalty to a jurisdiction or a particular profession. That is, they persuade people to train for, join, or remain in specific professional groups or organizations. This appears to be the primary use of individualized pay in Sweden today, although efforts are clearly underway regarding performance and merit-based pay.

Empirical research and theory indicate that market incentives are associated with job satisfaction and job commitment but have no reliable relationship to job performance. Productivity and job performance are affected by different incentives and by the extent to which job placements correctly match individual skills and abilities with job tasks and responsibilities.

By the same token, researchers cannot say whether the presence of pay for performance systems and individualized reward structures have a positive affect on either the recruitment or retention of highly skilled and qualified staff. Organizations often indicate that they want to use pay for performance systems as a way of attracting or retaining more qualified and more productive employees, but there is no body of empirical research that confirms a linkage between the existence of pay for performance systems and recruitment and retention (National Research Council 1991).

In this context, salary-setting policies that attempt to influence the flow of labor in and out of a profession can be linked to levels of organizational and professional commitment. Market parity-based strategies seek to maintain an adequate supply of qualified workers. Competitive salary policies may pursue a market strategy designed to draw the top candidates from the labor pool. The common assumption that more highly paid individuals are more efficient or more effective professionals is associated with the idea that offering more competitive entry or retention salary levels should be associated with higher levels of individual effectiveness. These gains in individual productivity, in turn, are expected to offset increases in payroll costs and have the end result of creating a more cost efficient organization.

Market strategies that set pay levels based on the attainment of certain credentials may also assume a linkage to productivity. Career retention standards, for example, may stimulate loyalty to a particular profession in that earnings remain competitive with work performed in related professions and at the same time may provide an incentive for achieving greater professional competence. The accumulation of skills and experience is assumed to be related to greater professional capacity, and, in turn, to higher levels of productivity.

There is a risk, however, that such efforts to strengthen organizational commitment may not increase productivity. The end result might instead be higher payroll costs and a wage-wage spiral. Even if more highly paid professionals are "better" workers, the specific connection between individual increases in productivity and greater organizational efficiency and effectiveness is unclear. These linkages need to be developed within each jurisdiction or local authority based upon existing conditions and values, as well as local goals and objectives. Efforts to develop productivity standards need to tap into both the organizational and community cultures through polling or some other systematic effort to gain feedback from employees, managers, students, and parents. The key point is that the linkage between pay standards designed to influence labor market behavior such as the attainment of certain skills or commitment to a particular job and productivity is rather tenuous.

Some productivity standards for setting pay attempt to make more direct linkages to productivity. In these cases, pay is set according to some organizational inputs or measures of professional productivity or effectiveness. The risk here with respect to

productivity gains is twofold. On the one hand, the selected inputs may not be within the control of the workers and variances in the quality or quantity of these inputs may predetermine attainable productivity levels. Despite their best efforts, some workers would thus not be able to attain as good a result in their work as others. A resulting feeling of unfairness is almost inevitable and can lead to costly dysfunctional behavior.

The other concern is that the performance standards for individual workers do not collectively contribute to the achievement of organizational goals or objectives. Members of a musical group, for example, may each have a goal of mastering a different piece of music. Think of the effect of a room full of highly trained and talented musicians each playing his or her own piece of music and compare that mental image with one of a well-directed orchestra. Similarly, individual performance has to be orchestrated within an organization. Performance-based pay standards must be integrated into an overall management plan for organizational productivity and linked directly to organizational goal-setting activities. This means, moreover, that to the extent that goals vary among local authorities, productivity-based pay systems cannot be directly transferred from one locality to another. In the field of education, for example, Swedish school leaders aspire to achieve certain national goals, but they are also expected to develop their own local goals and objectives that respond to their unique circumstances. Elements linked to the success of competitive pay systems are summarized in Figure 2.

FIGURE 2.
ELEMENTS AFFECTING THE SUCCESS
OF COMPETITIVE PAY SYSTEMS

- *adequate diagnosis of employee receptivity to different types of productivity or competitive pay systems;
 - *participation by employees or their representatives in the establishment of effective and diverse performance standards and administrative procedures;
 - *integration of competitive pay and productivity measurement into an overall management plan, including linkage of individual performance measurement with organizational goals and objectives;
 - *adequate information to supervisors and employees regarding the way the system should work and is to be implemented;
 - *systematic monitoring through employee surveys to obtain feedback regarding implementation and to diagnose potential problems;
 - *sufficient performance-based salary increases and adequate resources to maintain such a system over time;
 - *emphasis on group performance as well as on single individuals' productivity.
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The most critical points according to two nationally commissioned studies of performance-based pay in the United States are: (1) the integrity and equity of base pay should be maintained and pay-for-performance rewards should be offered as bonuses above regular salary or wages; (2) adequate resources should be available to fund and administer the program properly; and (3) pay for performance should not be treated as a cost saving measure (Performance Management and Recognition System Review Committé 1991, National Research Council 1991)

All local governments assume some posture relative to the prevailing wage in the labor market and they pursue some idea about the factors that motivate employees in their compensation policies. They may do this unknowingly and without systematic study, or as part of an overall management philosophy. Management's beliefs about the factors that motivate workers and the way the labor market functions should be reflected in a wage-setting philosophy.

Local authorities may attempt to match the prevailing wage and pursue a policy of pay comparability. They may try to offer premium wages for some or all positions as a way of attracting candidates into a difficult market or on the basis of the belief that the highest paid workers are the most competent. Finally, they may, in fact, pursue a policy that sets salaries below the going rate for some jobs where there is a surplus of labor or they may use this strategy for all positions. They may pursue this strategy on account of scarce financial resources or because they believe that they can attract and retain an adequate work force based on the existence of other rewards for service. They may believe that the monetary and nonmonetary benefits offered by local government offset salary shortfalls with other sectors.

Measures to maintain external alignment with the prevailing market are one set of factors that influence the structure of salaries in local government. They can be assessed through the use of salary surveys or other techniques and addressed by wage premiums over base pay or by increases in the base pay for categories of employees. External parity affects the flow of labor within the market, but evidence is lacking to link comparability efforts to greater individual productivity or efficiency within an organization.

The internal alignment of salaries and wages within an organization is measured by different indicators of pay equivalence. A strong belief in the income equality may be reflected in small differences within occupational groups and between professional groups in the same organization. There is a clear tension between these values and competitive pay systems.

Research suggests that efforts to stimulate higher levels of performance or different behavioral attitudes should be related not only to a belief in the effectiveness of these incentive structures, but also in a local government's capacity to execute performance-

based pay systems accurately and fairly. Above all, the prevailing organizational culture and the organization's capacity to implement a performance-based pay plan should be the key determinants in deciding whether such an experiment should be undertaken. For Swedish local governments, the data presented here suggest that the continued significance of parity principles in explaining salary structures must be taken into consideration if efforts to motivate employees with performance based pay are to be successful. Experiments with pay reform might best be testing in Sweden by maintaining the existing levels of internal equity, improving the degree of external parity in base pay, and using salary supplements above base pay to award performance bonuses to single individuals or groups of employees.

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