

- High involvement management was significantly associated with organisational pay plans, but not group performance pay or individual performance pay
- Relatively few variables significantly predicted the number of organisational pay plans, but those that did included proportion of managers and proportion female (both negatively related), while firm size was positively related
- For group performance pay, numerous variables were significant incl. foreign subsidiary, employment growth (negatively related), proportions part-time/casual and in teams (positively), and proportions of managers and females (both negatively)
- For individual performance pay, significant variables were firm size, proportion in teams and proportion unionised (negatively related)
- Individual performance esp. merit raises was the most common type of performance pay
- Group performance pay showed the lowest usage
- Incidence of organisational pay doesn't differ from group pay in Aus
- Canadian and Australian firms showed similar incidences of most forms of performance pay → evidence for the convergence hypothesis at least in a shared Anglo cultural context
  - Of the various performance pay plans examined, only profit sharing stood out as having a significantly different incidence between the 2 countries
- Need for IHRM research to move beyond the dichotomous argument of the convergence-divergence debate → adopt integrative approach – open to possibilities and simultaneous impact of convergence and contingency considerations in pay plans and other HR practices

**Required reading: The living wage – Policy and practice** (Prowse & Fells, 2017)

- Social campaign for a living wage in UK due to longstanding problem of low pay
- Low pay is most commonly addressed through establishment of legislated minimum wage
  - 90% of countries in the world operate a statutory minimum wage
- But a formal minimum wage rate provides a floor to wage rates so wages may still be low
- Office of National Statistics estimate 22% of all employees were being paid below the living wage in 2014
  - 27% of all women and 42% of part-time employees
- Core argument for the living wage is to reduce poverty for working families – many of whom may have dual incomes but still rely on state and community support
- Economic argument – raising low wages acts as an economic stimulus since low paid spend all of their increases in the local economy
- Low pay can be defined as below 60% of the median wage
- In the UK – but the £4.5 billion wage boost from the increase in the NMW will clearly not compensate for the £13 billion of welfare cuts much more focused on the bottom half of the lower paid
- The Scottish Parliament adopted the living wage (a rate of £7.45) for all government employees from November, 2012
- Campaign initiated by the unions as well as community groups and social welfare organisations
- Case study of Metro City Council
  - Metro City residents were trapped in 'poor work', characterised by combinations of low pay, long hours or pervasive job insecurity, rising poverty gap for working parents
  - Decision to pay the Living Wage was a unilateral employer decision so unions were passive actors – there was no real negotiation on the living wage
- Economic and social effects of the notion of a living wage are not well understood

**Online module****Introduction**

- **Many ways to set rules** – there are 4 main ways
  - *Managerial prerogative* – employers offer employees the reward package on a take it or leave it basis, common in work around minimum wage level, no scope for negotiation
  - *Individual contracting/bargaining* – individual and employee jointly decide on pay for the job
  - *Collective/individual bargaining* – pay and reward is determined through a joint decision between management and a group of employees, employees are often represented by unions
  - *Decision by 3<sup>rd</sup> parties* – FWC Minimum Wage Panel, also decides on awards, in Aus these decisions affect all workers as they provide a baseline that the other ways to set rules must set pay above award
- **Reward** – anything which an organisation provides to its employees in exchange for the employee's potential or actual work contribution
- **Remuneration** – the monetary (i.e. extrinsic financial) reward which an organisation provides to its employees
  - *Wage* – usually paid to hourly workers, pay is determined by number of hours worked
  - *Salary* – usually paid to staff/managers, pay is determined by work to be done over a year
- **Incentive** – a contingent or conditioning payment promised or made in order to reinforce and enhance future performance in a desired direction
- Pay and reward is not solely about the market, but about the intersection of markets, institutions and norms
- Shift from centralised to collective/enterprise level arrangements

**Wage fixation history**

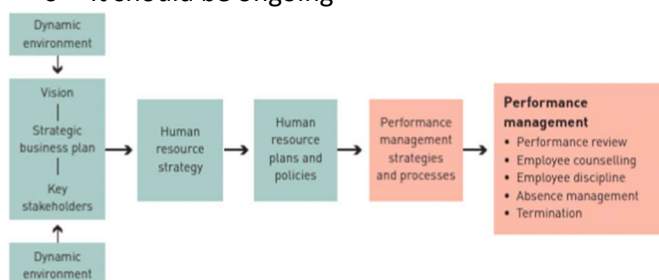
- **The traditional regulatory framework for wage fixing**
  - The national tribunal – has changed names
    - Commonwealth Court of Conciliation and Arbitration 1904
    - Australian Industrial Relations Commission 1988
    - Fair Work Commission now
  - Change in purpose
    - Settlement of disputes
    - Setting wages and conditions
    - An instrument of economic policy – in the Accord (retraining wages to reduce inflation)
  - National wage cases and test cases
    - Now less important? Because fewer employees have their wages determined by awards
- **The principles of wage fixing in Aus** – the big principles in the test cases
  - Test cases set the basic how and why
  - 'Needs' principle – (the Harvester Case, 1907 – male breadwinner – long influence)
    - Set pay according to pay needed to sustain a family – male worker, wife and 3 children
    - If an employer couldn't pay minimum wage determined by breadwinner model then they shouldn't be in business

**Lecture****Key terms**

- **Performance management system**
  - A system that enables an organisation to manage employees effectively and ensure that individuals:
    - Know and understand what is expected of them
    - Have the skills and ability to achieve these expectations
    - Receive valid and useful feedback on their performance
    - Have the opportunity to contribute to individual and/or team aims and objectives
    - Link individual and/or team contributions to the overall goals of the organisation
  - Also employee perceptions of 'fairness' ('distributive' and 'procedural') critical to whether performance management is successful
- **Performance appraisal**
  - Based on pre-defined goals
  - Performance appraisal is an opportunity for the individual employee and those most concerned with their performance to have a dialogue about the individual's performance
  - It's aim is to provide the basis for making development plans and reaching agreement on what should be done in the future

**PMS must be strategically integrated within the organisation**

- Need a strategic approach to PM
- PMS needs to be tied to broader HR processes, plans and policies
- PM cycle is a strategic approach to PM
  - PM shouldn't be ad hoc and annual
  - It should be ongoing



**Key elements in effective performance management** – the importance of having a well-designed PM system, i.e. one that is effective from the organization's perspective and fair from the employee's perspective

- Clarifying what is meant by effective performance by an individual and/or team.
- Understanding what the organization requires in terms of performance
- Ensuring that an individual and/or team understands how they can contribute to performance improvement in the future
- Ensuring that managers can utilize the performance management system effectively