

Personnel assessment and personnel reward

0 Introduction and problem formulation

Everyone is faced with the problem of personnel assessment and personnel reward during the course of their career. In any case with two important aspects thereof:

- immediately with the first individual position. What position do I choose? At which salary and further terms of employment? How will I be able to develop myself in that position? How will that be judged and possibly rewarded? And to what extent is further personal growth possible?
- after a few years the young engineer will probably assume the leadership of a project or department. This makes him responsible for a group of his own people. And the (co)responsibility for their achievements and rewards. Would you want to withdraw yourself from that?

But furthermore: “Salary administration is a vital part of management. Far more output can be obtained from employees who know that their salaries not only reflect the relative value of their jobs within the company, but also are competitive in relation to current market rates outside. By establishing the values of both jobs and employees, and treating them like any other valuable company asset, management will be able to budget more effectively and operate more profitably. The remuneration of staff goes beyond simply salary into the fields of bonus, bonus allowances and ‘fringe’ benefits, all of which influence the pattern of payment”. Hereby the span of the subject as we want to treat it here is pretty much established.

The **purpose of this module** is:

- a. giving a first oversight of the creation and the background of the **problem of assessment and reward**,
- b. giving an insight into the necessity and possibilities to arrive at a genuine **differentiated assessment and reward**. This is not only advantageous for the

good run of events within companies and institutions. Every employee simply has the right to it.

This can also contribute to a further democratisation of our society, due to the individual citizens obtaining a better and sharper insight into the foundations for its functioning correctly.

This syllabus is too broad to be treated completely during the lectures. We will therefore suffice with indicating the structure and set up of the line of reasoning.

For the exam wm0504 (bb4) only mastery of chapters 2 and 3 through section 3.3, subsection “Main guidelines” is required.

We still give the entirety because this is necessary for the exam wm0505 (bb5) and because those who won’t take the exam will still have a complete overview for later.

In chapter 1 the origin of the need for assessment and reward is sketched. Afterwards it is explained how the increasing complexities of the co-operation and society forms have led to the necessity for systemising this problem.

In chapter 2 the basic assumptions and principles for the assessment and reward system are illustrated.

In chapter 3 the actual ‘assessment and reward system’ is treated.

Therein the following is treated successively:

1. the relation between ‘**assessment**’ and ‘**reward**’ systems
2. systems for the assessment and reward of **positions**.
3. systems for the assessment and reward of **position fulfilment**.
4. concluding remarks.

1 The origin of the need for reward and for assessment and reward systems.

1.1 Rewarding and reward

For the deduction of the meaning of the concepts of rewarding and reward a short sketch of a few typical situations with man and animal:

- In service of the animal psychology many intelligence and learning experiments with respect to the behaviour of animals were performed. There, for example, the appearance of the desired behaviour is associated to receiving food as a reward, and the appearance of ‘undesired’ behaviour is associated with the withholding of the reward, or with a certain punishment. By increasing the complexity in the desired and undesired behaviour the intelligence and learning ability of the animal are researched.

Reward and punishment in the form of withholding or giving food hereby fulfil the function of behaviour regulators, just as this is the case in nature incidentally.

- Anyone who has ever raised a young dog, has learnt that the appraisal of good behaviour – the pat on the shoulder – has more effect than punishing bad behaviour.

- in the circus the horse gets his sugar cube and the lion a piece of meat after having successfully completed a feat.

Are similar cybernetic configurations not applicable to the behaviour of humans?

A few typical reward-situations with respect to the behaviour of humans:

- - A newspaper deliverer rushes with his moped around the corner of the street and sees a little girl fall into the canal at that moment. He immediately brakes, throws down his moped, jumps in the water and takes the girl back to the safety. The mother of the girl, overflowing with gratitude, wants to reward the rescuer... with what?
- But besides the reward problem of the mother, what is the biggest reward for the rescuer? The fact that he saved the girl from drowning? Or the material reward, that he receives from the thankful mother?
- - the nuances lie slightly different with 'the honest finder' (of a gold watch, of a wallet with 20.000), or with the extinguishing of the heart of a possibly dangerous fire, with the man with the brilliant idea, be it for saving, for safety, for whatever.

A few typical situations from the Bible:

- In the book Job, how righteous is his reward for his pious and god fearing behaviour?
- in the New Testament, Jesus in Bethanie at the house of Simon, suffering from leprosy, is balmesed with "very costly balsam" according to Mattheus 26. "And his disciples, observing this, found this dishonourable, saying: wherefore this loss? Because the same balsam could have been sold expensively, and the pennies given to the poor. Buts Jesus understanding this, said to them: why do you make it hard for this woman? For she has performed good work for me... For indeed I tell you, where this gospel will be preached all over the world, there also she will be named for what she has done."

Is there an element of reward... or punishment hidden here...? With respect to the woman or to the disciples? And did this woman need rewarding, or did these words merely serve to hold a mirror for the disciples?

- And directly after the just cited Mattheus 26 verse 13 follows 'The betrayal of Judas':

"Then one of the twelve, named Judas Iskariot, went to the Overpriests, and said: what wilt thou give me, and I shall hand him over to you? And they promised him 30 silver pennies. And from that moment he sought the opportunity, to hand him over.' How did this end? 'The end of Judas: Then Judas, who had betrayed him having seen him sentenced, showed remorse and took the 30 silver pennies back to the Overpriests and Elderly, saying: I have sinned, betraying the innocent blood. But they said: Why is that our interest? Thou are allowed to witness. And when he had thrown the thirty silver pennies into the temple, he left, and hung himself.'" Judas asked for reward, but rejected it after he was confronted with the consequences of his action. And eventually he punished himself, by taking his own life.

Rewarding and rewards are apparently aspects of often **very complex psychological situations** with sometimes strong dynamic effects. The dictionary says:

- Rewarding: 1 to give someone something as repayment especially of something deserving (as a symbolic act)
 2 letting someone have satisfaction of something
- Reward: 1 the act of rewarding; as symbolic act
 2 the something that is given for rewarding; as material 'carrier' of the symbolic act.

One can assert that **rewarding** an act has an **active character**. It's the assertion of a symbolic act after something rewarding has been accomplished. One can also propose a potential reward to trigger something rewarding. Reward (and punishment) can be bestowed or provoked (as with Judas). Whenever the correct ratio between on the one hand the behaviour to be rewarded and the reward – as material carrier of the symbolic act of rewarding - on the other hand is not met, then the usual adjectives are: a royal or meagre reward.

In every human there is an **ambivalent** (two-fold) **belief attitude** with respect to reward and being rewarded:

- A certain shame over the fact that one would need a reward to come, or be brought to a gratifying act. After all, a normal human must perform good by him/herself and act within his or her own power?
- simultaneously there lies an equally deep urge for recognition, for reward when something has been done extremely well. And finally there is sometimes also sometimes the fear or the hesitation of distinguishing one's self thereby, giving rise to jealousy.

The need for reward generally exists with the producer as well as the consumer of the good behaviour. Thereby the **relation between producer and consumer** is of great importance. The following situations can be distinguished:

- producer and consumer are one. Example: the animal with the capturing of its food in nature. In this case there is no need for an explicit reward. The producer immediately consumes the rewards of its activities. In the first place the material carrier of the rewarding (the food in this case) and in the second place he enjoys the satisfaction of having successfully completed his task that he had in mind.
- producer and consumer are not one. This leads us to the area of "Ground forms of collaboration", module nr. 409.

In the last case the relation between producer and consumer can still show many variations:

- - in time; continuous or incidental
- - as well as in the underling dependency.

This is treated in more detail in the next section. Finally it should be noted that the **ambivalent feeling** with respect to being rewarded especially arises when the producer and consumer of the behaviour that is to be rewarded **are not one**. That's why this ambivalence probably finds its roots in the problem of being conscious of the autonomy and integrity of the own personality.

Summarising this section it can be said:

A reward is always about a combination of psychological and material aspects. Apparently rewarding and reward are, according to their origin, mainly psychologically determined and operational concepts wherein an appreciation for the achievement is discounted, often explicitly in the utilisation of a material carrier. The problem of reward is also consistently the problem of assessment.

1.2 The development in rewarding and reward in connection with the evolution of society

Towards the end of the previous section it was established that rewarding and reward play a large role in human cooperation. In module nr. 409 ('Ground forms of Cooperation') the definition of human cooperation was given as:

“The voluntary and conscious joining together of capacities and/or means, with the intention of creating a common result by the combined utilisation thereof, that is larger than the sum of the results that everyone could have achieved individually; to the advantage of both.”

How is the **greater common result** now applied correctly **to the advantage of the participants?** From this question the clear intertwinement of “assessment and reward” with the “problem of human cooperation” emerges.

That is why in appendix I of this syllabus the mentioned intertwinement with seven league boots is sketched in the development of: society in the original tribe and family context → slavery, servitude, life property → development of the so called lowest social class → creation of modern society under influence of the technical advancement and economic development, with regards to Fourastiés characteristic assertion:

- old sources of income are continually broken down
- new sources of income are continually built up to eventually be broken down again.

The result of this gigantic social evolution is without doubt an enormous increase in individual room for manoeuvre and development possibilities for larger amounts of people than was ever displayed in the history of the world before. Paradoxically enough this has become possible exactly due to a much stronger intertwinement of the various cooperation patterns over the entire world. Due to this the **underling dependency** as well as the **vulnerability of the intertwinements** have increased strongly.

The average person has difficulty perceiving the function and sense of this dependency. The genuine increase in possibilities frustrates him even more than before, so that he doesn't easily realise that therein lies hidden the condition for his current room for manoeuvre and development possibilities. This counts especially for the new generations, who have never known anything but prosperity. In order that the new generations recognise the conditions for the regulation and continuation of the current prosperity, it is of deciding importance that they recognise the problems of

modern society in a functional culture historic perspective. Not a simple but definitely necessary assignment for education and forming.

Necessity for functionalisation and professionalisation

Appendix II gives an **overview** of several 'General aspects of the problem of modern rewarding'. The central theme through the entire progression is the **tendency** to further **functionalisation** and **professionalisation** of the problem of rewarding. Thereby regularly new synonyms and supplementary concepts for indication of the various exchange relationships between individuals underlying and between individuals and organisations are created. Appendix III gives an overview of this.

The examples in section 1 of this chapter were restricted to situations of an incidental nature. With the progression of the complexity of the social creation performing gets a continuous character. The various activities become continually more entwined, leading to continually higher demands of the reliability of the future achievements. One has to be able to depend on the achievements. This makes it necessary that a **single beneficial** achievement evolves to a **standard achievement** that should be predictable and therefore reproducible. Parallel to this the **reward** evolves from something that is given **one time** as a repayment for something beneficial to something that should be utilised **continuously**. Simultaneously reward loses some of its expression of feelings of respect or great thankfulness.

The unique, one time **occurrence** becomes an **agreement**, a contract:

- he who rewards (buyer) must be able to count on the quality and price of the realisation of the achievements (to be able to calculate with that).
- the rewarded (seller) must be able to count on what he receives as reward in return for what achievements he has realised. A transaction is initiated voluntarily, when both parties expect to receive something worth more than what they give back in return.

Thus a pure professional basis, a pure professional starting point, back and forth. The more achievements and services can be standardised, the better useable they are as units in the system of societal production. The more universal the application possibilities, the more useable in the societal interaction.

Disadvantages

The increasingly professional relationship, that have only become truly societal just now, probably sounds a little cold and sober. Many will especially get a negative connotation hereby, and think of disadvantages such as:

- the disappearing of the sense of responsibility of the trade worker who works directly for his client and who is proud of delivering what the client wants;
- the in return for this appearance of the modern wage slave in an impersonal industry, with anonymous assignment issuers and clients; the also thereby disappearance of the satisfaction that the trade worker had after completing a good piece of work;
- the arising of continually stronger alienation in the direct work experience, because one's own contribution to the final product has become unidentifiable due to the further specialisation.

Whenever sufficient compensation for these disadvantages is lacking, the indifference for the result increases. Due to the frustrating powerlessness in the social order, rivalry comes about. Pressure groups are formed to force demands, where the emphasis is placed more on the rights than on the duties!

Advantages

The increasingly professional reward relationships do not, however, have solely negative sides for the individual worker. Due to this professionalisation, assessment and reward get an **objective** nature. The relationships of the person with his work environment become looser and he doesn't need to feel as bound by them. With the progression of development there is increasing room for personal freedom outside the work environment. Hereby more possibilities for personal growth and development are created. This in turn can lead to increasing flexibility and independence.

For the realisation of these advantages, however, important **shifts** in the social **power relations** must arise. As we all know, this doesn't happen without a fight.

Compensation of disadvantages necessary

Besides the shifts in power relationships the compensation of the disadvantages of further **work division** requires attention. One can not be content with teaching every citizen and worker a larger social insight and sense of responsibility for the realisation and supporting of cooperative relationships that are quickly becoming increasingly complex. One must allow for a much more positive experience of the direct work environment. That requires:

- that every participant of the production process, that has become much more productive due to the dissecting into individual contributions, receives a share of the revenues.
- and that he is accepted as an adult human being in his work environment. That he, as agreed, is burdened with the responsibilities that he can carry as an adult, so that there is room for personal growth in the work environment as well.

Finally, it is still always the case that the person in his work environment not only produces, but most importantly also develops himself.

Internal and external possibilities for reward in each others field

Just as with "Ground forms of cooperation" so too with assessment and reward must the internal and external organisations be distinguished. For the individual worker quality and quantity of their achievements eventually determine the price that he can bargain for as reward for his achievements.

This is the case for companies and organisations in the same manner with qualities and quantities of the products and/or services produced by them. This in turn determines what the companies and organisations can offer their employees, their investors, and their suppliers.

Two basic attitudes with respect to the problem of reward

There are two basic attitudes that can be witnessed amongst the contestants in this game of rules and market relations.

- the opportunistic
- the systematically founded

The opportunistic attitude is the easiest and sometimes also the most advantageous on the short term. For example, men “sells”:

- himself for an occupation
- his products and services to the client
- an occupation in the company or institution to the solicitor, and attempts to do so as advantageous possible for every incidental case.

But for the preservation of stable relationships this is not beneficial, because:

- how will the new holder of the position, who sold himself favourably, stand with respect to the colleagues who earn less?
- what will the clients for their next purchase think of the company that asked too much or gave no reduction?
- what will the “profitably acquired” employee think of his employer after he discovers that colleagues in similar positions earn more?

For the advancement of stable relationships “fortunates” and “unfortunates” are simply not helpful. Can a company that pays their people precisely enough to prevent them from leaving, count on loyalty and full effort of the person? In this case there is absolutely no kind of systematic reward policy with the accompanying legal certainty. Additionally, the climate that is needed to assist people in making themselves productive is definitely absent there. Such a short-sighted personnel policy can only contribute to the creation of a “everyone for themselves” atmosphere. This is often paired with an obligation of secrecy with respect to the individually earned salaries and other employment conditions. The management creates a situation hereby that can often lead them to unpleasant surprises with regards to the personnel. In the long term, a **systematically founded attitude** is definitely **preferred** with respect to the problem of reward.

The politicised game; a summarising answer?

The battle for the “pieces of the pie” is fought from beneath as well as from above. In practice it is often seen that the side of the employees continually exercises a strong pressure on reducing differences in salaries. Obviously in a way that everyone attains his or her maximum. When the maximum has more or less been achieved over the entire line, then the maximum is questioned ...etc, etc.

Men lean on one another, need differences to be able to reduce these in the positive direction, etc.

The game played and driven so strongly from below in this form is not really stimulating for an increase in productivity. Furthermore, it **threatens** the increase of

the total **welfare**. The enormously strong powers that are nonetheless manifested herein are partly fed by the general endeavour for an increase in welfare. The other main cause, however, is probably the historically explainable suspicion for the so-called upper layer, who would be enjoying excessive incomes and profits.

In this form the battle for the reduction in variations of the incomes in itself does not have a productivity increasing effect. The competition and defence of interests is, however, essential for a community that must be able to develop freely. One can slow down a process that due to circumstances is too far-gone:

- by giving complete disclosure of the state of affairs
- and by making sure that the **connections** are as visible possible for all the people concerned.

A fast development therein is not to be expected on the short term. The attitude of the works councils does mean, however, a hesitant step in the right direction. Productivity attributing systems (PA systems) can also assist the strengthening of an atmosphere of common interests on the basis of acceptable income ratios for all concerned.

A few years ago a writer cynically exaggerated the current developments in the description of what he called the creation of meritocracy (the power to those, who make themselves most useful). Whatever the case, we think that one cannot escape the conclusion that those who have the leadership in this period of a quickly evolving world should regard the development of a purposeful reward policy as one of their most important tasks.

They, who must find the creative solutions, are the ones that can bring the collective endeavour for an increase in welfare from the atmosphere of the individual interest battle more to the atmosphere of collective improvement.

Sooner or later every national economy, every company or institution will eventually have to change over to the systemisation of their price policy on the input side. This entails: the **systemisation** of her **assessment and reward policy**. In the last section of chapter II it is shown that the systemisation does not necessarily imply rigidity. It should, however, give shape to ever necessary changes and alterations.

1.3 Summary of section 1

The issues treated and argued in this first chapter can be summarised into the following statements:

- rewarding and reward are in the first place **psychologically** determined concepts, wherein a valuation or assessment of what has been achieved is expressed with the use of a material carrier.
- parallel with the development of cooperation and types of society **new forms of reward and rewarding** come into existence. As the internal as well as the external organisation of societal construction becomes more complex, these reward forms should become more functional and professional in the companies and institutions both externally and internally. This goes paired psychologically with both disadvantages as well as advantages. The disadvantages require special attention so as to be compensated as much as possible.

- the need for functionalisation and professionalisation forces **systemisation of the problem of reward**. This simultaneously forces the systemisation of the problem of assessment. This systemisation can and may not completely drive out “the free play of power”, but it may, however, channel it more.

2 Principles and rudiments for assessment and reward systems

Which conditions must be met for a system for assessment and reward? Or put differently: which functions must such a system fulfil in modern society?

2.1 Main functions of reward

In current society the production of the products and services with regards to national economic units is increasingly intended for everyone. In such a society **reward** fulfils the following **two chief functions**:

- a) allotting such an **income** to everyone, that he thereby receives his **rightful** share in the consumption of what is produced. Hereby reward in money is the universal and thus essential key for the distributive function of reward.
- b) differentiation of the under a. mentioned reward in such a way, that both in the short and long term, the establishing of an optimal goods and services packet is promoted: the **managing function of reward**.

From here a study such as “The System of Wage Forming” is understood. This study considers the question: which requirements should the wage forming meet here, from the perspective of economical growth, production structure, income division and social relationships, thereby keeping an eye on the aspect of the control of the economic state, the stability of the value of money and the relation to foreign countries; what are the consequences of this for the system of wage forming or wage politics?

Within any economic unit one can establish:

- the **reward level**; the height of which can be determined firstly by the productivity of that unit, in relation to its surroundings
- the **reward structure**; as is expressed in the income ratios within the corresponding unit. This distinction can be made modularly considered on every level of economic units:
- the rewarding level of a national unit makes part of a reward structure on international scale
- the rewarding level of a branch of industry makes part of the national reward structure
- the rewarding level of a company makes part of the rewarding structure of the branch of industry
- the rewarding level of a department makes part of the rewarding structure of a company, etc.

The rewarding level of a unit is dictated by trade and power relationships in the larger unit of which it is part, thus towards the macro-side. Towards the micro-side the rewarding structure can be determined arbitrarily to a certain extent, however within the framework of the rewarding level. Because, as shown before, external and internal rewarding possibilities are similar (see page 7).

The division of the fruits of the community's activities makes use of the reward structure within an economic unit. This division is generally not just a result of interests but also of power balances. One can find this saddening yet can not avoid it. Every human is simply limited in his work, observation and decision ability. It is this **limitation** that imposes specialisation and the employment of continually more complex collaboration bodies, which allows for men to **achieve more** together. But the utilisation of these bodies demands that different responsibilities are allocated to different people and groups. This also entails the directing of the activities of others, in other words exercising one's power. As long as this power remains functional there is no problem. This is, however, hardly always the case, in fact: power leads to misuse for one's own benefit quite easily.

This study – published for the Association for the political economy, Martinus Hijhoff, 1960, the Hague – is based on preceding advice from drs. J.H. Derksen, drs. J.M. den Uyl and prof. Dr. H.J. Witteveen.

Long ago **corrective systems** were designed and applied to this end. The dividing of the lawmaking, governing, and law imposing bodies has proved to be one of the most concrete characteristics of the democratic government. The division of bodies has as first goal the prevention of power misuse, but is in times of need not exactly the most decisive organisation possible for the state.

With the fast growing complexity of collaboration bodies, new and larger positions in power and dependence relationships originate in companies and institutions. It's no wonder that also in this area men has need of corrective systems such as: involvement, having a say, information and responsibility duty, mandate verification or possible adjustments thereof.

These corrective systems cost time, energy, money; undoubtedly absorbs a piece of the due to collaboration possible productivity increase. They also reduce the decisiveness of an organisation at first. Material-energetically spoken a group or organisation can therefore not afford these systems directly or continually. The more a unit becomes larger, however, and the continuity of its existence is ensured, then it not only becomes possible to develop these systems, but it becomes necessary. Necessary as a consequence of two similar, yet in practice opposite mechanisms, or rather **“psychisms”**:

- as the complexity of a “samenlevings- en samenwerkingsverband” increases, so does the transparency and the experiencing of it decrease for the individual members. Thereby the motivation for the exertion on the operational level, for thinking along on the operational level, is reduced roughly speaking. The **alienation** that arises simultaneously frustrates and hinders the flow of the energy in the positive direction towards the **unified body**. Afterwards the energy easily turns **against the unified body**. At least, as long as men isn't taking a break and

even more so as men have less alternatives (and are thus unable to leave the body). As a consequence, these energies get a destructive character for the involved party very easy and fast.

- the amount in which one succeeds in making the increasingly complex “samenlevings- en samenwerkingsverband” **transparent**, however, and more useful for everyone, the process as described above arises reversely; for example productivity, growth and development capacity, flexibility, and decisiveness increase again and may in certain situations become even larger than ever.

From these observations it becomes clearer why democratic governing and law structures arose first on the level of national units and only afterwards on the level of companies and organisations. But it also becomes clear that one simply didn't have a choice in certain stages in the evolution of human collaboration, on penalty of disintegration.

It is not a coincidence that Churchill spoke of ‘democracy’ as the ‘least bad’ form of government and law during the last world war. Similarly it seems just as unlikely that it was a coincidence that the ‘somewhat’ more democratically organised nations eventually won the Second World War, when it was about developing and exploiting all energy sources and talents that were available as much as possible.

Democratisation therefore arises as a case of **vital importance**, eventually on every level. And therefore also on the level of companies and organisations. This boils down to a large and important organisation problem.

Conclusions with respect to ‘starting points for and main functions of reward’ can be stated as:

*the central problem of collaboration is the weighing up of **conflicts of interests** and turning them into **synthesis of interests**.*

Insight into the function of collaboration serves as a compass:

“the voluntary and conscious bringing together of capacities and/or means, and by the combined use thereof give rise to a collective result that is larger than the sum of the results that everyone would have achieved by themselves, to the mutual advantage all.”

Accordingly the problem of dividing that larger collective result is given → the distributive function of the reward structure. Besides this the governing function of the reward structure is of considerable importance in the improvement of the various reward levels on every level of the “samenlevings- en samenwerkingsverbanden”.

- as the forms of collaboration and cooperation become more complex, more **explicit corrective systems** must be developed to go against organisation and power structures becoming dysfunctional. Through recovery of the insight into the collaboration and cooperation “verbanden” the experience of the individual members is improved. As a result the functionality thereof can be maintained and preserved better.

A well founded reward and rewarding system can make a considerable contribution to this.

2.2 The principles of assessment and reward

Placing the problem of assessment and reward in the framework of the problem of the human collaboration immediately leads to the principles of reward to be exercised. After all, from the definition of human collaboration the question immediately arises: the division of the collective result... to the mutual advantage of all.

It seems improbable that a collaboration would even arise with the principle: unequal contribution equal distribution. More constructively, for the creation as well as the preservation of a “*samenwerkingsverband*”, is the application of the principle: ‘distribution of profits according to the ratio of their contribution’

This principle:

- satisfies our sense of equality
- works stimulating proportionally.

This also, however, leads directly to the problem **of the assessment** of everyone’s contribution. The ‘distribution of the benefits according to the ratio of their contribution’ can be deemed as the most righteous and purposeful principle. It in fact boils down to the principle

‘reward according to achievement’

On the other hand there is a principle with a completely different nature: **‘reward according to need’**.

When we think about this, it quickly becomes clear that also this last principle is essential for modern society.

Think for example of the ever-returning situations, where someone who must master his new job. Initially the achievement is nil, and only slowly does the contribution assume the desired level. Often one chooses a person for this on the basis of very good achievements in a previous position. It is unthinkable to let this person earn less in this time according to the principle: little contribution, thus little reward. This would prevent him from accepting a position, even though he fancies it.

Incidentally, with a deeper examination it becomes clear that it is not only reward according to need that is the case here. With the mastering of the job often a larger effort must be made than later on. Mastering the job can therefore be regarded as an achievement in itself, for which effort had to be made. It is also difficult to apply the achievement principle to research or development activities, especially on the short term. After all, here it is the question of whether there is going to be any result at all, and if there is, when it will become clear.

An historic example in macroeconomics of the application of the reward according to need principle is the following.

The Netherlands was faced with the task of starting the recovery from the devastations after the Second World War. At the time there was no adequate base for salaries and prices. That is why men consciously chose to bring salaries and prices in underling

relation to a level, where the primary living needs could in any case be paid for with the minimum salary. That was the source for the applied salary politics that has not been completely discarded even up to today. One will also find the principle of 'reward according to need' in the loads of social services, in child support, in the tax laws where special burdens, tax relief for children, etc. have to be taken into account, and so on.

Tensions between 'reward according to need' and 'reward according to achievement'

How deep the contrast between the two reward principles affects the human mind also becomes apparent from the idealistic communist view:

Through a socialistic transition phase, with reward according to **achievement**, to quickly build a materialistic basis (take for example Stachanow-workers – very large achievements are rewarded with very high additional rewards).

To a communistic society as final result, wherein everyone performs according to their capability and is rewarded according to their **need**.

In this idealist view a certain **paradox** is hidden:

Achievement according to capability and reward according to need may be possible in a situation of abundance, but it is precisely necessary in a situation of scarcity.

The tension that one experiences between these two reward principles stimulates the tendency to escape the problem by idealising the human being. This problem was already mentioned on pages 3 and 4 when the issue of ambivalent attitude with respect to reward was at hand.

Indeed, there would be no problem of assessment and reward anymore, if every human being would perform according to their capability independent of the reward.

Depending on the achieved level of prosperity, the collectively achieved results can be divided according to the principle of equal reward, or according to the principle of reward according to need, with exemption of the principle of reward according to achievement.

The question does arise here, however, whether this manner of dividing sufficiently takes into account the **reality of human nature**. It seems wise to take into account the fact that the human has been prepared and originates from an extremely long evolutionary development process, especially on the grounds of cybernetic feedback and principles.

Can we now expect that it is in agreement with human nature, to continually and spontaneously endeavour for the general good; without a thought to individual interests? That we are indeed capable of endeavouring for the general good is certain. But everyone one of us finds our greatest limitation in exactly that.

Experience and history teach us time and time again that it is unwise to arrange society according to one-sided idealistic views. If this is done nonetheless, then human nature will sooner or later inexorably reassume 'his or her' rights. But then in an unexpected and thus often extremely disruptive manner. Additionally, one must realise that rigorous application of the principle

‘everyone contributes according to capability and receives the same or according to **need**’ can have largely **constrained freedom** as a consequence. After all, in that case one loses the moral right to not want to do something.

It is therefore doubtful, whether one can miss the strong influence that reward has on human behaviour for the stimulation of personal effort and productivity. Or stronger yet: we doubt whether one should ever want to miss this influence! The report of Workgroup 43 of the Section Company Organisation of the KivI says the following about this:

“Then what else can explain the enormous technical-industrial development of the past two centuries? Whether one accepts this or not: the dynamics of our society are controlled by the problem of the continually rising prosperity and the division of it underling. For nations and organisations, for the individual worker – whether he is a top manager or labourer – the same holds for everyone. They count, and must in fact (be able to) count on reward according to achievement, in whatever form. Even if it is merely in the form of promotion chances, fulfilled or not. The democracy is a difficult case, because nothing makes the unequal qualities of humans more clear than the acknowledgement of their equality. It is therefore the most realistic system that ultimately needs to contain the least amount of illusions about human nature. It asserts that one receives and gives trust, while all know that those will be violated sometimes. These drawbacks can not, however, be avoided with longer deliberation.

The general experience is that the principle of reward according to achievement is completely accepted by workers. They consider it a case of fairness and fair play that extra effort on their part is honoured accordingly. Incidentally a growing insight is being established, especially with the workers and definitely with their representatives, in the demands that are necessarily asked of the management due to the regularly increasing prosperity level. Their resistance and grievances are not aimed against the principle as such, but against reward variations that they consider unrighteous or senseless.

Thus the work groups have unanimously come to the conclusion: not only must rewards differences dependent on position and level remain, but also reward variations dependent on the achieved results must be employed to prevent ‘slacking’ and ‘reduction of performance’.

The aspiration must not be uncoupling, but more sensible, purposeful and for all concerned parties more satisfying coupling.”

What is to be understood by “achievement”?

The principle of “reward according to achievement” is strongly emphasised in this syllabus. That is why it is important to clearly define what is meant with this concept. As it is used here, it may definitely not be assumed equal to the much more limited meaning that is often attached to it with the employment of piece-wage and tariff systems. With such “wage” structures one often only thinks of quantitative achievements in the form of finished amounts of products or processes. The reward is then attributed more or less in a direct and one-sided manner to “achievements” that are measured on this basis. The concept of “**achievement**” can, however, be applied in

a **much wider context**. If this indeed happens then the opinions over the achievement principle apparently differ much less than is sometimes thought. With respect to both the definition and the employment of the achievement concept there is still a lot of obscurity about “assessment and reward” in literature. That is precisely why the concept of reward has been placed both psychologically as well as historically in a much broader framework than is usual. For the same reason the system of assessment and reward is treated in chapter III on the basis of a much more subtle and because of that more extensive application of the achievement concept. Before concerning ourselves with the question of what elements constitute an achievement, it is important to understand more deeply the question of: is the concept “**achievement**” a matter of **output** or **input** for the realised results?

When it is used in ordinary language one will find a **mix** of both elements. When one says “given the circumstances a larger achievement has been made here than normal”, then it is clear that with the word achievement one is referring to input. After all, one is trying to say here that due to more difficult circumstances more input was needed to attain the same results. What is the case, however, in this message: “Ard Schenk has made an extraordinary achievement – under ideal weather and ice circumstances incidentally – by beating the world record on the 5.000 m by 5.5 seconds.”

Here one apparently first thinks of the output, namely the improvement of the world record. Still, some of the required effort, or in other words input, is also taken into account.

Initially “achievement” refers to an exceptional accomplishment (“that was quite an achievement”). When searching for a more quantitative use of the word then one will also speak of low achievements (“that was an achievement of nothing”).

Just as in module nr. 432 “Effctivity, productivity, efficiency” we are also confronted here with the problem of an inadequately defined concept.

For a restriction of the **achievement-concept**, so that it can be employed as a **quantitative** measure for accomplishments, two **tricks** are necessary.

We can begin with asserting that it is about indicating the amount of **results** that were attained in a certain amount of **time**.

The **first trick** consists of acknowledging the fact that the amount that can be accomplished per unit time is strongly dependent on the nature of the required processes, thus dependent on the **amount of input**. The trick basically comes down to that a different measure for achievement is adopted for every type of work performed under certain conditions. In this way it can be considered a large achievement when the distance Amsterdam-Haarlem

- is covered in 2,5 hours walking
- is covered in 45 minutes biking
- is covered in 12 minutes by car

The **second trick** is related to the first trick and consists of the introduction of the concept “**normal**” **achievement**.

Normal achievement can be understood as:

The amount of processes that can be completed by a normal, suitable, well-educated and settled person under normal circumstances in a normal tempo per unit time.

One could call this a “program” definition. After all, for every accomplishment one must still specify what one considers: -a normal, suitable person – normal circumstances – a normal tempo. If this has been done, however, then one has disposal over a quantitative norm of achievement for that work, at least under specified circumstances. Whenever someone now performs that work with an output of 80 % or 125 % under the same circumstances, then one can speak of a realised achievement of 80 % or 125 %.

With the introduction of the concept **standard achievement** the **input-side** of the achievement is **standardised** as it were. Afterwards in the usage of the achievement concept only the output-side needs to be taken into account. That an important step forward has been made with this is also dependent on the fact that the suitability of various people for the carrying out of various processes can vary strongly. For example, it may be that mister A can accomplish a “large achievement” in work P much easier than in work Q. For mister B the opposite is the case. If A must nonetheless perform work Q, then he must put more effort into it than B to attain the same output as B. Viewed subjectively A accomplishes a larger achievement than B.

Viewed objectively, however, this is irrelevant. When one considers A and B together then one is only interested in letting them do that work that would lead to the largest possible collective result. Whenever it is about attaining the largest possible productivity it is in everyone’s interest that all work is carried out by those, regarding the totality of the division of the work, who are most suitable for that work.

Their standard input then determines the norm for the standard achievement.

From that moment on it is only the **output** of the work that is **of importance** to **evaluate** the realised achievements. The registration of that can for example be used to signal situations where losses are made. If in the above mentioned example mister B realises a much smaller “achievement” with an equivalent effort, then this can have two causes:

1. either the work has become more difficult due to some reason
2. or B has become either temporarily or permanently less suitable for the work.

In the case of 1 the causes have to be determined and consequently have to be solved. Can nothing be done about the causes then one is forced to accept that the standard achievement must be reduced. Mister B can then realise his acceptable achievement level again. In the case of 2 one can shift B from work temporarily or permanently, whereby no loss in productivity needs to occur. Whether it is the choice between various methods for certain processes, or the division of available people over the work to be carried out, or the signalling of a deviation from optimal circumstances: in all these cases one should have objective achievement norms at one’s disposal. During the ascertaining of these norms the **input-side** is first **optimised**. Afterwards the utilisation of the norms is initially **determined by the output**. Sometimes for certain

work activities the standard achievement can not be determined (yet) quantitatively. Even then it remains important to employ the methodology as given above.

Different courses of “achievement” and “need” curves during the life span of a human

In the first part of this section 2 “Principles and rudiments for assessment and reward systems” it was argued that the reward must almost always be **based on both** principles; on the principle of “reward according to **achievement**” as well as the principle “reward according to **need**”. An important fact that was not yet mentioned thereby is that during the life span of a human the evolution of performance ability and need don’t exactly run parallel. Strongly schematised the relative course can be demonstrated as follows.

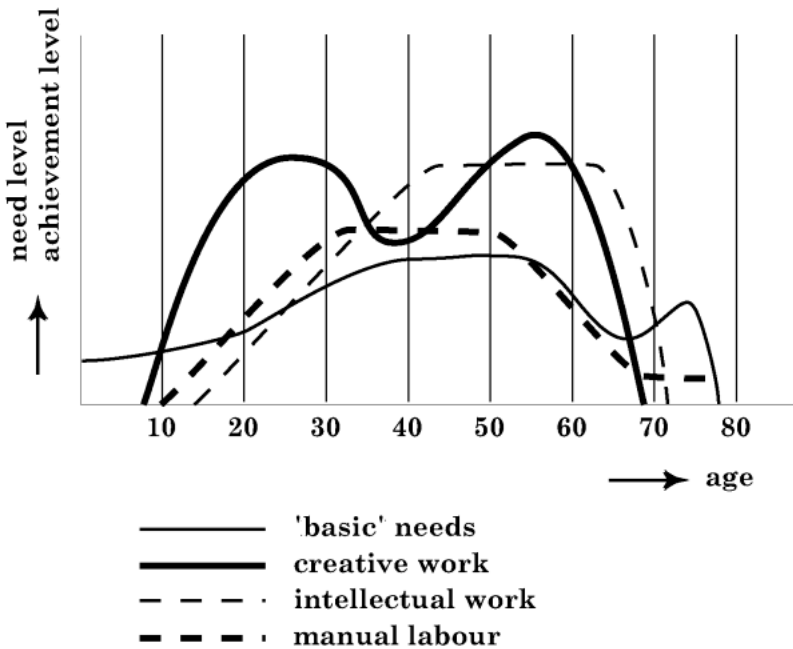


Figure 1: Development of achievement capability and needs as a function of age

One may definitely not attach too much meaning to these schematised lines. They merely serve to show that characteristic differences exist between the evolution of our **basic needs** (however one chooses to interpret this) on the one hand and the **achievement curves** on the other hand. These achievement curves have:

- a peak generally at a relatively young age for manual labour
- a longer rising line for intellectual work
- more waves for creative work. For the assessment and reward system it is of great importance that one takes these differences into account.

Inconsistency in the application of the achievement principle as a principle of fairness

The application of the principle “achievement according to contribution (achievement)” entails: for equal work equal reward. What automatically follows from this: for **unequal work unequal reward**. It must be stated that this principle has not even been implemented everywhere in modern society, not even within one company or institution.

Examples:

- the wage scales for women are often lower than the equivalent wage scales for men. This is probably a remnant of the application of the principle “reward according to need”, in which it was assumed that the man is generally the breadwinner of a family. On a European level there are efforts to eliminate these differences.

That this is happening particularly slowly can be seen in the concrete numbers, mentioned in the article “European Community”, nr. 136, May 1971.

“In the processing industry the average wage of women in October 1966 (most recent data; it is a drudgery to attain the data from all six countries) was 24,8 % lower than that of men in Italy, 27.5 % lower in France, 30.3 % lower in Germany, 31.9 % in Belgium and no less than 39.3 % in the Netherlands. Furthermore it is apparent that the differences in wage increase strongly with the level of schooling in the Netherlands and Belgium. Thus the better the schooling, the more backward, or in other words a kind of fine for a (female) eagerness to learn. The Netherlands is a remarkable antifeminist leader, because although the average wage for unschooled women lies 7.7 % lower than that for unschooled men, the difference for schooled women is no less than 40.1 %.” In December 1961 the six governments made a resolution, wherein they formally bound themselves to apply the famous principle “equal reward for equal work” concretely. Five years later this had, considering the data, hardly improved. Presently it appears that some changes for the better are in fact occurring.

- It occurs frequently that youthful people achieve more than older people performing the same work do. According to CAO wage scales for youthful employees they nonetheless earn less. This also seems to be a result of the application of the principle “reward according to need”. This time, however, from the perspective that the youthful worker is not the breadwinner, or the breadwinner of a smaller family.

A third reward principle?

Besides the reward principles according to achievement and according to need a **third principle** is used in literature as well as in practice. Ydo speaks thus of **reward according to supply and demand of the community** in his book “Achievement and reward in a new light” (1965). Witteveen speaks of “dynamic differences”:

“ the function thereof lies in enlarging the mobility of the work force (from high to low; Mx) in the direction required by society’s growth process”.

It is clear that this principle must be utilised extremely **carefully**. The relation between the systematic and the free reign of powers is treated in more detail in chapter III section 4.

Summary of the principles

Ultimately this treatment of the principles for an assessment and reward system can be summarised as follows:

- a reward system should be based on both the principle “reward according to achievement” as well as the principle “reward according to need”
- the principle “reward according to achievement” should be used at all times in some form.
- For the managing function of reward so called “dynamic” reward differences can be employed.
- With the application of achievement norms it is not the input but the output that is the decisive factor. The input should, after all, be optimised beforehand with the set up of these norms.
- There are not three, but merely two managing positions in force; be it not always to the same degree on different aggregation levels.

3 Assessment and reward system

3.1 Relationship between assessment and reward systems

Guiding principles

In part I it was described how the need for **reward** is continually linked to the **evaluation** of an accomplished achievement or contribution, that is, the assessment thereof. That was the case for **incidental reward situations**. When the correct relations between assessment and reward are not taken into account there, then this is expressed with the addition of “royal” reward when the reward is very high with respect to the accomplished achievement. In the reverse situation one speaks of a “meagre” reward.

But also in the case of **continuous reward situations** a few **assessments**, either explicit or not, precede the reward. When “the human co-operation” it is about resolving the collective result “to the mutual advantage of both”, immediately the question arises what the division of the collective result should be.

It was treated in chapter II that with this division generally the principle “reward according to achievement (contribution)” as well as the principle “reward according to need” and the principle “reward according to market valuation” can be employed. As long as **no explicit standards** (can) be utilised for the determination of the reward according to these three principles then the determination remains subject to **arbitrariness**. Such a situation offers more chance to the one-sided utilisation of power relations. Enlargement of the insight into the assessment and reward problems for all concerned reduces the chance of arbitrariness. It thus offers the chance of a

fairer dividing system for the achieved “collective result” and besides this last point, in any case also offers the possibility of enlarging the legal certainty.

For that, all **relevant aspects** must be accounted for in such a **systematic way** that the assessment and reward problems can be managed rationally. The obvious way for that is in the first place to sharply localise the workings of the three principles and to learn how to employ them individually. This prevents them from being mixed up randomly in their utilisation.

Experience has shown that one can best develop a contribution system for this. Then when determining the reward for certain contributions the need aspects of the contributor and the market value aspects of the contributions can be taken into account. One can state that also with respect to these last two aspects an assessment problem exists. These “assessments”, however, are currently created mainly on an implicit macro-basis. It must be noted that what has been developed in assessment systems in the course of time has remained largely limited to the assessments of contributions and the manufacturing of products and services.

Systems for assessment of contributions

For the assessment of someone’s contribution to the creation of products and services the **same tricks** can in principle be applied as was described in the creation of achievement norms. The next two steps to differentiate between are:

- first positions are **assessed** and then classified whilst taking the type and level of the work into consideration. (=input-standardisation)
- subsequently the measure in which someone **fulfils** a position is **assessed** on the basis of the achievements that he realises in that work (=output-measuring)

The **assessment** of a **position** gives the **norm** with which the **fulfilment** of that **position** can be **assessed**. Exactly as was sketched earlier, the achievement norm for certain work under certain circumstances determines the norm by which someone’s achievement in that work can be assessed.

Thus the system for the assessment of contributions splits into:

- a system for the assessment of **positions**
- a system for the assessment of **position fulfilment**

Reward systems

Likewise the reward system splits into

- a system for **position reward**
- a system for **position fulfilment reward**

Accordingly reward differences for different human contributions are created in two steps:

- the reward of a position expresses the rating of the work on the basis of a “normal” achievement level (also on the basis of the market value). With the appointment of someone for a certain position the belief is expressed that one considers that

person capable of fulfilling that position on either the explicit or implicitly stated achievement level.

- the relative achievements are rated with respect to the “normal” achievement level for that position and is expressed in either variable or fixed percentile deviations with respect to the position wage. With regard to the second point again two questions must be answered:
- is the work for that position being fulfilled on the required quality level by the position holder
- which quantitative achievements are realised in this work.

This system is of course a schematisation of reality and not reality itself. But it is a suitable classification manner, where men can interpret phenomenons in a meaningful way. This can be illustrated with the following example.

In a certain situation someone realises in his or her position exceptionally good achievements. It is then possible, that this man has an exceptional talent for that position. With this fact, his high achievement with respect to the standard achievement for this position can definitely be declared as satisfactory.

But it could also be that this person not only realises a relatively high achievement, but also performs work that strictly taken do not belong to the tasks of the position. In that case one could conclude that the person is eligible for a promotion. Or one could decide to give him a larger combination of position-elements, which would place him in a higher wage scale.

Thereby the deciding question is whether he will be able to fulfil all the position elements on the required achievement level with this new combination. Also the reverse case occurs frequently in practice, where someone achieves less than the position requires.

In the transition **between the two extremes** – on the one hand very short term variable (“bonus”) percentages, on the other hand a completely fixed percentile addition or subtraction of the “base” wage – the following **intermediate steps** can be identified:

- piece wage (without guarantee of the base or position wage)
- tariff wage (with guarantee of the base of position wage)
- contract pay (with guarantee of a certain, agreed upon bonus percentage for a certain amount of time)
- time wage (with correction for deviations in time actually present)
- wage or salary (without correction for deviations in time actually present)

Only in the first **three** cases is there talk of bonus or **direct** achievement reward. In the **remaining** cases the achievement aspect is as it were **indirectly** discounted in periodic raises of the position wage, either combined or not combined with promotions. This entails: positions to which a higher base wage is directly coupled.

Summary of the connections between assessment and reward systems

The previously treated basic pattern for the assessment and reward systems can be viewed schematically as follows:

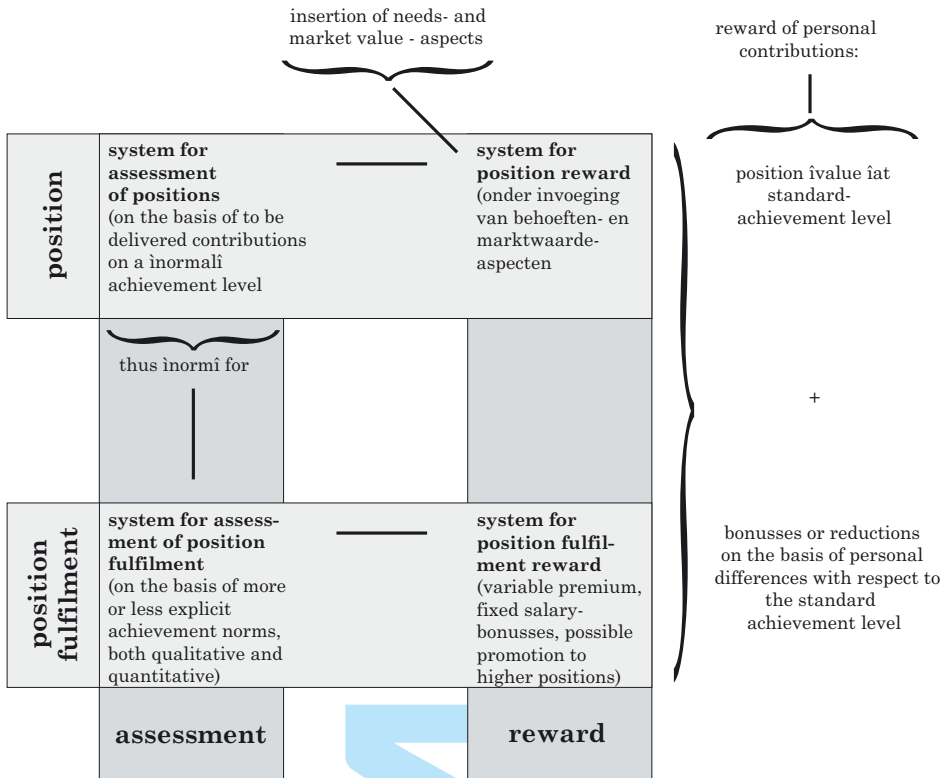


Figure 2: Relationships between the systems for assessment and reward

Only because of the stringent uncoupling of contribution assessments and reward contained herein does it become possible to utilise the need and market value aspects independently. This is desired because, among other things, alterations in need, market value or contribution patterns generally do not arise simultaneously.

After having sketched the ground pattern in this first section of chapter III, the following will be treated successively in more detail:

1. systems for assessment and reward of **positions**
2. systems for assessment and reward of **position fulfilment**

The reason for this order of treatment is that the uncoupling of assessment and reward of positions on the one hand and position fulfilment on the other hand is clearer than the uncoupling of assessment and reward in both these areas. Chapter III finishes with:

3. concluding remarks
 - requirements for more direct coupling of reward and achievements
 - remarks with respect to environment, manner of employment and programming of assessment and reward systems.

3.2 Systems for assessment and reward for positions

As became clear in the preceding section, when assessing positions it is about the assessment of the fulfilment thereof at a normal achievement level. The initially best-

developed systems assessed and classified positions on the operational level: therefore the lower positions. One spoke of systems of **job evaluation and classification**.

Now that men are also gradually expanding the systems for assessment of higher positions the term position classification is becoming more favourable.

A vital principle for a **position classification** is obviously the description and analysis of the positions to be classified. Incidentally, this description and analysis of positions has more application possibilities than merely laying the basis for the set up of a reliable reward structure. They are also important:

- for working out a good organisation structure with the required responsibilities and qualifications per position
- as a starting point for attracting and selecting position holders
- as a starting point for the choice of the necessary basic education and possible additional education and training.

Besides being of service to the set up of a position classification and a possibly coupled reward structure, **position description and analysis** must be viewed as a fundamental **cornerstone** for the **personnel and organisation policy** of whichever company or institution.

In the consideration of systems for job and position classification it has become advantageous to assume that the content of the positions is not up for discussion anymore. Whether they are conceived optimally or not, they are assumed as given. The **conceiving of positions** should be taken care of **beforehand**.

In the book "Salary Administration" the third chapter "Job evaluation" is opened with the mentioning of the title of a related article: "Job evaluation – Science Fiction?" This title is sketched as: "...indeed fair comment on one of the most controversial aspects of the salary administration field".

This as a warning beforehand.

One can distinguish between the following systems:

- description of sequential **steps of position levels**, for example for simple office work and secretary work. When a position must be classified this takes place by comparing the position description with the various level descriptions. The position is then placed in the level for which the description matches the description of that particular position best.
- The **position ranking methods** (job ranking method). With this method it is accepted that it is often very difficult to split positions into independently assessable parts. One directly evaluates the relative worth of the total position and subsequently ranks the positions in order of relative merit. This method is described as the easiest systematically. But simultaneously as a method that places the largest demands on the position expertise of the assessors.
- The method of the **Collective Comparison in Pairs (C.C.P.)** With this method one compares every position to all the other positions that are participating. When a position seems "lighter" than another does then it is valued as "0"; does it seem equally heavy then it is valued as "1", and if heavier "2". The results of these "values" are hence placed in a table such as the following.

	Position a	Position b	Position c	Position d	Position e	Total score
Position a	xxx	2	1	-	1	4
Position b	-	xxx	2	1	-	3
Position c	1	-	xxx	1	1	3
Position d	2	1	1	xxx	2	6
Position e	1	2	1	-	xxx	4

From the total scores the order of the position classification becomes:

$$d > a = e > b = c$$

- The method of **factor comparison**. As with the previous method the positions to be classified are ordered according to relative worth. This time, however, not immediately according to the relative worth of the total position, but successively according to the relative weight with respect to various aspects. Aspects that are used here are for example:
 1. minimal required education
 2. compulsory specialised training or experience
 3. the importance of the decisions to be made in that position
 4. responsibility of the work
 5. managerial responsibilities etc.

The problem still remains that the ordering obtained for positions is generally different for each aspect. This may lead to assigning a weighing factor to each aspect, so that the relative orderings can be weighed up mathematically. This in fact gives rise to the following method:

- The method of **point systems**: with this method the relevant aspects are determined first for the group of positions to be classified. For every aspect
 - an assessment scale for evaluating points of a position on the aspect in question is set up.
 - a weighing factor is given, which expresses the relevant importance of the aspect for the position classification in question.

In accordance with this method the so-called normalised method for the classification of manual labour positions has been developed in the Netherlands.

Reviewing these **five** methods there are apparently no **fundamental differences**. In every case the weighing up is done to the best degree in accordance with the position analysis. There is merely a difference with respect to the weighing method. That is the reason for describing them in order of **increasing refinement** of the weighing method. With the point-method the warning is sometimes given that it can easily suggest an impression of exactness, which in fact does not exist.

The choice of aspects

Whenever one wishes to apply an evaluation of the various aspects for a position classification the problem of **choosing the aspects** will arise.

One must especially guard for not weighing the **same position-aspect multiple times** in multiple aspects. The aspects must be sufficiently independent of one another. On the area of choosing aspects the so-called “critical-incident” technique by psychologist J.C. Flanagan has assumed a certain reputation. A “critical-incident” is describe by him as: “a significant act by an employee exceeding or failing any of the requirements of his job”. By collecting both the positively as well as the negatively deviating cases an empirical view is built up of what determines the ability to fulfil a position well.

The NIVE publication nr. 522 “Position evaluation in the Netherlands” gives a description of eleven systems of position evaluation. This study is performed by dr. ir. J.R. de Jong and drs. A.W.K. Gaillard with financial support from the Committee Raising Productivity from the S.E.R. For whoever wishes to view this problem in more depth this work contains a good overview.

3.3 Systems for assessment and reward of position fulfilment

Main lines

For the **assessment of the fulfilment** of a position one should have criteria to measure with. These are derived from what one expects either justly or not from the position holder in the position in question. Only when with respect to these expectations a mutual opinion exists between the assessor and the assessed can one genuinely talk about the measure of position fulfilment. This level of expectation was previously referred to as the **normal achievement level** with respect to the distinguished part-contributions that together form the position.

Incidentally, in practice it appears extremely **difficult** to posses over both qualitative and quantitative **achievement norms** with regards to all the distinguished contributions in a position. For positions with a mainly operational character it is still applicable to some extent, at least where the output is objectively measurable and the methods by which it is achieved are fixed. It is much more difficult for positions with a mainly developing or policy character. Here again the difference previously made between “stack” and “growth” processes is relevant. (Chapter 12 ‘A fundamental approach model’ and chapter 6 ‘Management of product development from a life cycle perspective 1’ from “Fundamentals of Business Engineering and Management”). Not only is the result of such jobs difficult – and only much later – rewarding.

Also the manner in which the result is achieved is not fixed beforehand and is also afterwards still difficult to evaluate. Who will assess whether certain side-roads were avoidable or whether they led to the right combination? The **higher** the **position**, the more degrees of freedom, the **more different ways** there are of doing something right or wrong. Additionally, in the present complex collaboration configurations **nobody** in fact really achieves something **alone**. For example, who could say whether the troublesome man could have had that great idea all by himself? Perhaps a more

mature but less brilliant colleague gave the right push due to his calming, stimulating attitude and his correctly attuned statement of the problem. What does a brilliant technical director do without a good staff member or administrator? Who will determine whether a stable chef with a very low change of rate of personnel, who is hardly making big steps, is performing worse than a chef who seems to be realising the impossible by stunting, but who also continually has personnel problems.

It can be particularly dangerous for a company to stimulate concrete results on the **short term** at the expense of unsure, but maybe more important issues for the **future**. With the assessment of position fulfilment this aspect must also be kept in mind.

In the next part of this chapter the most known reward systems are treated, in order of complexity. This comes down to that for every subsequent system a **larger number of position fulfilment aspects** will be taken into account.

Fixed wage or salary

The most straightforward reward system is the periodic payment of a completely fixed wage or salary. This in fact means that one is **rewarding** the position holder merely for the fact that he wants to **be the position holder**. Only when the person concerned does not meet the expectations at all will the reward generally not be bestowed. Sometimes an attendance control is employed, that does not, however, have any direct consequences for the reward. When one does not keep to the work times then this may merely lead to a warning (fines in the past). The fixed wage or salary can be **enhanced** with a **percentage of the profits** or dividends. In principle the percentage of the profits has the appearance of an extra reward for special achievements. With a lack of analytical criteria, however, this often comes down to a collective payment, whereby it becomes part of the primary terms of employment. The dividend has the hallmark of: when company is doing well then it shares that with the associated personnel. Here also the individual or group contributions and achievements can be considered. Besides these extra rewards that can be applied in any reward system, fixed wages or salaries only reward the fact of **being the position holder**.

Time wage

Characteristic for time wage is the definition of professor Van der Schroeff in his book "The study of the cost price" (chapter VII, "The costs of human labor", literature b):

"Time wage must be understood as the manner of wage determination, where the labour time made available by the worker forms the standard. The amount of time which the worker has available determines the wage, independent of the achievements that are accomplished by the worker in that time."

And further:

"Of the wage structures time wage is the oldest. Earnings per hour, day, week and month must be considered as such. As far as the technique of wage determination is concerned, time wage is without doubt the most straightforward, which does not mean that it is the most straightforward with regards to determining the costs of labour. On the contrary".

The employer solely carries the risks of losing labour units. With time wage merely **being present as position holder** is rewarded.

Piece wage

With the application of piece wage the field of **achievement reward in a more limited sense** is entered for the first time. The application of this type or reward is probably very old. With the application of piece wage a certain amount of money is paid for every produced unit. **Piece wage** is thus entirely **output wage**, in contrast to **time wage**, which is entirely **input wage**. This reward form is suitable for both individual as well as group work. With group work the group must agree upon the distribution of the wage. Piece wage has the notion of a contractor relationship between the one carrying out the assignment and the assignment giver. The determination of the piece wage can be a consequence of an agreement, but it can also be imposed one-sidedly. This is dependent on the existing balance of power. In business economics piece wage generally has a bad reputation. In times that are prosperous for the employer when the delivery time is the determining factor, the inclination exists to pay grand piece wages: “as long as the job gets done”. Curiously, this thus works as a kind of profit sharing. But should the economic tide turn, then one is quick to “cut the tariffs”. Therefore there is little legal certainty for the labourer. The employer in fact puts the risk completely on the labourer by employing piece wage.

Advantages of piece wage are:

- **Societal importance** of the employer and employee (eventually also of the consumers) with good organisation and good work rate
- **More straightforward cost price calculation**, because the rate is stabilised at a high level
- **Little risk** for the employer

After all, looking on a longer term it is only possible to be maintained in an honoured position on grounds of the fact that the achievements realised on average are evaluated as such. That is also the case with fixed wage and time wage.

Disadvantages of piece wage are:

- the employer and employee have **conflicting interests** when determining the **height** of the piece wage. This is especially expressed with a change of the economic situation and in the stance of the employee with respect to method improvements (secrecy towards the employer)
- little legal certainty for the labourer

With piece wage only **direct achievements** of the position in holder are **rewarded in quantities**. This one-sided emphasis on quantity can lead to a negative influence on the quality. One method to compensate this is by letting reparation or throwing away of bad products be recompensed by the labourer. Sometimes, however, this is difficult to determine on the short term and additionally may lead to a considerable loss of the

capacity utilisation of the expensive machinery. Due to these kinds of reasons the applicability of piece wage is restricted. Whenever the production of “the pieces” is longer than, for example, a week, then time wage is paid in advance. To prevent repayment afterwards this is generally kept quite low. In this way one is guaranteed of a certain minimal wage. This can be considered as a transitional form to the next reward method.

Bonus wage

Bonus wage is a **combination** of **time wage** and **piece wage**. In this reward form time wage is represented by the assurance of a **minimum time wage**. On top of this minimum time wage a **bonus** can be earned depending on the performance. In that way piece wage is represented.

With this reward form one tries to **combine** the **advantages** of piece and time wage and to **avoid** the **disadvantages**. This is of course merely possible to a certain extent. The formula “base wage + percentage of base wage as bonus” has a large flexibility with respect to the standards to be set for the extra reward. These can be quantitative as well as qualitative standards, or as a combination of the two. With the tariff system that has been implemented in large quantities in the Netherlands since the Second World War, the main standard generally employed is the quantitative performance. As with determining the piece wage it is first estimated or measured in which amount of time something can be done well. Subsequently a reasonable seeming hourly performance is determined. This hourly performance is then multiplied with the expected working time to arrive at the desired piece wage. With a guaranteed earnings per hour it is sufficient to express “the tariff” in units of time: “that takes so many minutes or hours”. Should someone do the work in less time, while the set amount of time is paid, then he automatically retains the bonus.

Example:

$$\frac{10 \text{ allowed time} - 8 \text{ hours needed time}}{8 \text{ hours worked time}} = 25\% \text{ excess payment}$$

As an intermediate step one can also introduce the performance indicator. In the example just given one would speak of a performance of 125 %. This does not, however, automatically have to lead to an excess payment of 25 %.

An excess deviating from this payment can be “regulated” by insertion of a “reward line” other than the directly proportional reward line:

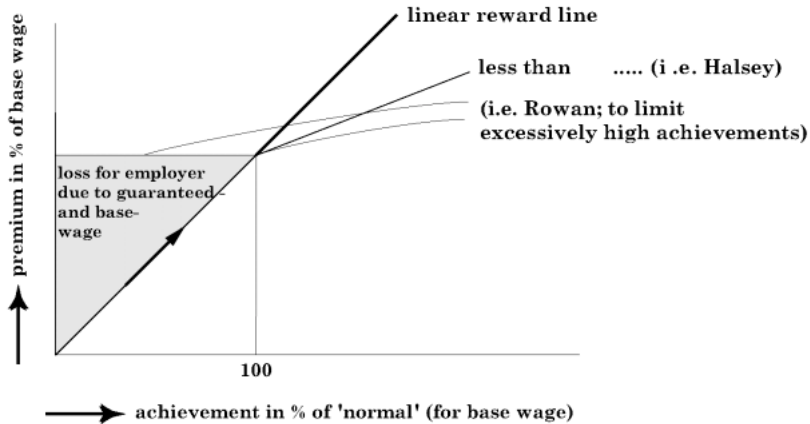


Figure 3 Reward lines

The so-called **Rowan-line** is applied when the achievement norms are very uncertain or difficult to measure exactly. So far the application of bonus wages on the base of only quantitative achievement norms have been considered.

There is nothing, however, to prevent bonus wage being applied on the basis of, for example, one or more qualitative achievement norms. An example of this in practice is given in chapter ‘method analysis and standard setting for human labour’ in appendix I. In both cases – whether one is rewarding on a quantitative or qualitative basis – it is important to clearly determine and maintain the minimal level of the aspect that is not stimulated by the bonus.

The conditions for the set up of a bonus wage are always “merely”:

- determining WHAT one wants to employ as achievement standard, or achievement standards.
- Derivation of norms for setting a task for this standard or standards (preferably on the basis of reliable technological and labour research) in such a manner that the actual achievements with respect to the norms or combination of norms (again possibly “weighed” by application of weighing factors) can be expressed with a relative performance indicator.

Whenever a certain bonus structure is encountered in practice, it is always recommended to ask for the “payment line graph” and if this is not available to ascertain it oneself.

For anyone who is interested more in this type of wage structure please refer to other literature.

- systematically make a connection between the relative achievement and the bonus percentage to be paid, for example in a reward line and/or table.

Multiple factor systems

Along these lines the so-called multiple factor bonus systems were also developed and applied. Here, for example, the “return” tariffs, which are also regularly applied in the processing industry, are ranked. For the operation of complex installations the quantity

of the required processes is economically speaking not relevant. On the other hand the quality of the output, the efficiency of raw materials, energy consumption and the time efficiency of the utilisation of the installations, is important. In that case, setting of a task for return, either coupled to the bonus wage or not, can be very interesting for both the company as well as for the people who are burdened with operating it. Apart from the reward coupling the application of a systematic setting of tasks is also of great importance. With this, all concerned can localise the reasons for deficit more easily and consequently resolve these.

Merit rating

The so-called merit rating can also be considered a multiple factor bonus system. Merit rating comes down to that the employees are evaluated periodically on a number of aspects. Often these consist of four points, such as:

- the amount of work done
- attitude towards colleagues
- attitude towards superiors
- initiatives that go beyond the normal position fulfilment

Generally, objective, quantitative achievement norms are completely absent for these aspects. In practice this has as a consequence that within a certain amount of time everyone is continually earning the maximum bonus. Characteristic for this is the following quote from Chapter IX (section 6 Conclusion) from the publication of “Merit-rating – Facts and opinions” by the Committee for Raising Productivity of the S.E.R. in April 1966.

“As a summary of this chapter it can be said that the endeavour for all alternative objectives by the experts is viewed as feasible and correct, but that they do not believe that the objectives are also reached in the present situation. At least not when one includes the quality of the responsible personnel departments in our Dutch companies to the present “situation”. After all, in the clarifications the experts give a lot of critique on those personnel departments. On the other hand the wage political situation, that leads to abuse of the assessment systems, is also held responsible for the many failures, also with respect to the alternative objectives that in principal have nothing to do with reward. Companies as well as the experts have the most trust yet in the value of systematic assessments when deciding about mutations and promotions.

This despite the critical voices of those who warn that an assessment of someone’s “promotability” takes different assessment criteria than an assessment of actual task fulfilment. Also amongst the personnel chiefs of the 19 companies participating in the workers survey many believed in the value of merit rating for promotion policy. In this regard – and as a closing of this report – it may be repeated that the objectives of the systematic assessment treated in this last chapter are not in fact alternative objectives and that – as was stated in the introduction – a regular assessment of someone’s task fulfilment is simply unavoidable in any work organisation. Here we just want to say that if this report means the failure of merit rating, as it has been used in the past years in the Netherlands as a reward

technique, it does not mean that the assessment is not necessary and that assessment systems are superfluous. On the contrary: for all mentioned alternative objectives, and also for base wage and salary determination, such assessment systems are essential. Or that the present systems, that apparently in many cases are only employed with the intention of bonus determination and used with the intention of wage increases, are set up well enough for the pursuing of the other objectives and are used sufficiently meticulous, we doubt. What is lacking then we can not say; this question could be the starting point for another research. And what must be done in the Dutch industry to arrive at a fair and stimulating form of variable wage – as long as one does not want to shift to fixed wages for everybody, and for that the time does not seem ripe – is also a question not answered in this rapport. Or it would have to be that the answer lies in the negative statement: that one can deem a system a failure, when one uses it for purposes for which it was not designed. Also this question could serve as a starting point for a subsequent research – a conscience research perhaps.”

This last remark about “the negative statement” obviously stands for all assessment and reward systems.

In practice several difficulties and sometimes also fundamental objections arise with the employment of bonus systems. A large objection is for example a weekly variation of the content of the wage bag. That is often difficult to accept for adult breadwinners and for their wives, who have to run the household with it. Even more so when these variations are not due to variations in the performance of the employee, but due to defects in the organisation of the work and the department. What's more, the “white collars” at the office can “draw the line” without any consequences for their fixed “salary”.

Contract wage

The so-called contract wage arose under influence of convictions about “the natural need of every human” for doing his or her best and willingness to carry responsibility (theory Y of McGregor). Here the employee and his chief determine an average performance level in consultation. The employee guarantees this level for the coming period of time. Over that same period of time the employee receives the bonus percentage suitable for that level, irrespective of the actual achievements in that period of time. Additionally, task determination and performance control remain completely as with the normal tariffing.

At the end of each period the employee and his chief assess together how the performance was based on the registered numbers. On the grounds of this, the contract is extended or altered in a positive or negative sense, again in consultation. This system of contract wage thus avoids two important objections against the tariff system:

- a. the dulling of the task of the boss due to the automatism of the reward coupling is eliminated by the restoration of the direct contract-contact with his subordinates;

this last group are treated as responsible people with regards to their willingness to make certain achievements for their wage.

- b. The reward fluctuations are strongly levelled off because a fixed bonus percentage is paid out per period. Such measures additionally mean a step on the way to solving the traditional discrimination between “blue collars” and “white collars”.

Group tariffs and individual wage

In those cases, where an operating few do their work in underling dependency, group tariffs are often applied with success. That is the case, for example, with assembly lines or assembly groups and with joint operation of machines and installations.

A complication is that the configuration of the groups is not always constant over time. Due to, for example, sickness, differences in desired product capacity, etc. This must obviously be taken into account with the achievement assessment and reward. One does this on the basis of time registrations of everyone’s participation in the various groups. Because of that, individual achievement assessment and if required also achievement reward remain possible in principal.

The formula of the bonus wage seems to cover a wide field for application. It is not the case that the possibilities of the tariff system are restricted to the field of quantitative production, where manual labour dominates. One can apply the tariff system:

- on a quantitative basis
- on a qualitative basis
- on a mixed basis

Furthermore

- both with individual tasks
 - as well as with group tasks
- and

- both for manual labour
- as well as for the operation of machines and installations.



Degrees of freedom

With the setting up of bonus systems one has very many degrees of freedom. It is important when setting up such a system to carefully employ and modify these degrees of freedom to the specific situation.

The freedom or choice factors are thus listed systematically once again:

- one can choose which productivity aspects one wants to stimulate with the bonus wage: - quality – quantity – material yield – installation efficiency – or combinations thereof. When employed well, one must be cautious for the extremely strong influence of the reward coupling. This can easily lead to the negligence of other aspects that are not encompassed by the bonus.
- One can choose how precise one wants to make the achievement norms.
 - sometimes the largest possible precision is necessary
 - in other cases one is satisfied with statistically determined data

- one can choose the gradient of the reward line (change in bonus percentage with respect to the variations of the relative achievement grades). This gradient determines the ‘sensitivity’ of the system as it were.
- One can choose within which margins one wants to vary the reward. One does this by determining a minimum guarantee and a ceiling. One can even out the periodic reward fluctuations at will by choosing longer payment periods (while retaining a fast – adjusted to the needs of workers and employees and management –signalling of results).
- One can choose to which degree one wants to combine the activities of different people into group activities.
Carefully, in consultation with all interested parties (thus including trade unions) set up, employed and maintained structures for bonus wage can satisfy the high expectations with regards to productivity increase and improvement of the cooperative climate.

A requirement for that is, however, large technological as well as labour-technical and social-psychological expertise. The most objections that are expressed against the tariff systems over the last few years come down to an inadequate or flawed set up and application of these systems.

Objections and limitations have, however, also been signalled that are inherent to bonus wage based on previously sketched foundations. These mainly come down to the choice of the criteria for assessment of the position fulfilment. Should one choose these criteria with only the directly carried out labour (quality, quantity, yield), then essentially the following remains outside of the task determination:

- the cooperation between various people and work groups within the department. Exactly this cooperation can have much influence on countless organisational aspects that concern the department efficiency. Aspects such as underling cooperation and dealing with defects, expressed in the percentage of indirect hours to be paid.
- the cooperation between the department and the other company departments, especially the departments one up or down the production process. This is important for the work preparation and planning, for the sales and supply purchases.

Especially when one does not want to limit one’s self to task determining, but also combines the direct reward coupling in the form of a bonus wage, one in fact even creates a conflicting interest with respect to both cooperation aspects:

- with respect to the cooperation in the department, expressed in the percentage of indirect hours, one can exaggerate their individual performance by “writing” down indirect hours without actually having been there (this in fact implies the necessity of sharp signalling of losses in a certain development phase of the department organisation)
- With regards to the co-operation, especially with the department work preparation and methods there is the natural resistance against method improvements because

of the inherent review of the achievement norms and task determination that it brings.

A quote from the report of work group 43 ‘Can tariffs as task determining stimuli for productivity increase be replaced by something better?’ page 14:

“One can not escape the conclusion that – at least for workers – tariffs as they are do not create a good climate for the involvement of other latent production strengths of the labourer, except those that are expressed in quantities of the product at the quantitatively and qualitatively determined norms, and in the most favourable cases a little higher. The situation can possibly be sketched best as follows: tariffs are based on the view of the labourer as “homo economicus”, the human of whom one hires the element labour, either on an individual or collective contract, and not on the labourer as a complete co-worker and especially co-thinker.”

And on page 16:

“After all, it is the case that:

- When viewed on grounds of business economics it is a real limitation of the tariff system that the thereby used reward coupling only stimulates a limited aspect of the productivity directly, although this coupling when employed well also has indirect effects: as was described in chapter 3. This one-sided coupling thus passes over a large reservoir of knowledge, experience, thinking power, eagerness and creative powers of by far the largest part of our business population, who are thus either very insufficiently or not involved with the systematic raising of the productivity.
- When viewed social-psychologically the one-sided coupling works– either intentionally or not – as an isolating factor with a restraining influence on the involvement of the tariff worker as an active co-thinker and co-worker in the business community”

The with care and patience adopted sociological and social-psychological case studies of the past decades have the inevitable consequences of such, working human isolating factors, placed unmistakably in the spotlight: when the human can not express his social and creative potential through the formal structure of the company, then these elementary, vital needs search for another way out: either outside of the company in leisure activities or social life, or within the company in informal group formations that are attuned to compensating that which men misses in their work and therefore work in directions, that are detached from or oppose the company interests.

It has become clear that one does not have the open choice whether the hidden reserves are used or not. Should one not use these energies, then they do not remain unused or neutral, but will turn against the organisation concerned. This takes place in the form of disguised or undisguised hindrance, indifference, inactivity, resistance to change, boycotting of rules and regulations etc, etc. The human reacts emotionally illogical – but viewed more deeply perhaps rightly so – according to the formula: “those who are not for me, are against me”.

It is from this background that a growing appeal is emerging for methodologies that are thought up to interest all company people collectively in the company results in so

far as they can influence it by good co-operation, co-ordination, inventiveness and effort. Especially during the last few years these have arisen under the names of “involvement systems” and “productivity attributing” with as goal “The organised participation of all levels”.

Systems for productivity attributing (PA-systems)

We quote from publication R40 of the NIVE in the Hague (July 1963):

“Since several years systems of productivity attributing (PA) that were developed in the U.S.A have become increasingly known on a larger scale in our country. In 1938 Joseph Scanlon developed a revolutionary plan for Adamson Corporation (a small company that produced steel reservoirs). The company was close to bankruptcy and could only be saved by an important productivity improvement. With a collective effort from the management and personnel the company had to be saved from its disintegration. As an extra stimulus the personnel were promised a share of the savings on the salary costs. The success was notable; the cost reductions were so important that despite the payment of large bonuses to the personnel, the company operation became considerably profitable again. As with every successful measure, the Scanlon plan was also applied elsewhere. In many companies it had good results, in other companies it was a complete disaster.”

It seems important now to sketch what PA actually means. Therefore several fragments from the report of the NIVE efficiency days 1958 from the section “Objective and Requirements” are shown next:

“Productivity attribution is the collective name for several systems of collaboration tested in practice in the company between all parties concerned with the product, focussed on production problems, where on the grounds of production results, for in so far as that they surpass the norm that was announced and determined beforehand, an extra reward is paid to the personnel. The requirements to arrive at PA, as I (dr. D. Horrynga) view those for the Dutch situation, are approximately the following:

In the first place a willingness on the side of the employer, from the side of the managing personnel and on the side of the labourer to come to a professionally founded collaboration.

A second requirement is without doubt a good administration of the company, which is able to determine adequate data for the productivity frequently.

A third point is the necessity of capable managers that are capable of implementing ideas, and are additionally endowed with several responsibilities to let them make decisions independently with consequences that are not too far reaching.

A fourth requirement is that in any case a powerful figure must be high up in the management of the company, who completely supports the plan.”

In literature the “technical side” of these types of systems is usually described as straightforward.

Example: It has been determined for a shoe factory over a few years in the past that the total wage sum, with a good degree of capacity utilisation and a reasonable productivity level, was 38.2 % of the total value of what was produced.

Imagine now that in a certain period:

- the turnover (“sales”) was	€ 936.000
- the value of the supply of finished and approved products increased with	€ 15.000
- rejected by customers on the basis of defects	€ 4.000
Then the amount produced in that period is	€ 947.000

If additionally:

- the total wage sum over this period is	€ 273.000
- correction on wage (for example, borrowed from other company)	€ 5.000

Wage sum concerning production € 278.000

Then for the production in this period apparently fl. 278.000,- was paid corresponding to 29.4 % instead of 38.2 % corresponding to fl. 363.000,-. When subsequently 25 % is reserved for unfavourable times, and of the remaining amount of ca. fl. 64.000,- 25 % is allotted to the company and 75 % to the personnel, then this comes down to fl. 48.000,- to be paid out to the personnel, that is

$$48/278 * 100\% = 17.3 \% \text{ bonus}$$

When one critically examines how such an arrangement in fact works, the following must be established:

- there is a strong stimulant for the wage earners to either produce more with the same amount of people (‘hoping that this will also lead to that turnover’) or to attain the same turnover with less people – wage earning people that is. That indeed works stimulating on the productivity of the labour carried out directly.
- What falls beyond the scope of the system, however, is:
 - possible increase or decrease of costs of what Lehmann calls “Vorleistungskosten”, as well as material costs and all kinds of other services such as outsourcing.
 - a possible shift in the assortment of shoes to be produced from either less or more labour intensive types.

As a consequence of this fact it can, for example, occur:

- a. that a higher bonus is paid for a higher productivity that was attained by working less economical or with more expensive material.
- b. that less bonus can be earned although one has had to make qualitatively better shoes.

One speaks here of a type of tariff inflation.

Furthermore, should one want to sustain the norm percentage “wage 38.2 % of the turnover”, also when due to further mechanisation and automation the labour intensiveness of the production process is reduced? Here the same problem is presented as with the necessity of tariff revision due to work method alterations to prevent tariff inflation.

One prevents a few of these problems by not assuming “percentage wage of turnover” but instead “added value”.

In this area the rapport from April 1961 of work group 43 quoted earlier still remains applicable, with pages 18 and 19 stating:

“Should one examine, which requirements must be satisfied to switch in a successful and responsible manner to the implementation and maintenance of such an on co-operation based reward methodology, then similar issues arise to those that are necessary to successfully implement tariffs:

- Whenever one wants to take the productivity increase due to good co-operation as a starting point for a special bonus, it must be established:
 1. what will be used as productivity criteria
 2. which value thereof will be taken as the standard

The most well-founded grounds for this last point is the knowledge of the tariffs of all sub-operations concerned, plus the normally occurring supplementary work activities, that one wishes to accept in the standard.
- to what extent must, or may, the results of productivity increase as a consequence of method improvements, design or construction simplifications, expansion of staff duties, further mechanisation, further automation, be expressed in the bonus? Or must these lead to a revision of the productivity formula? Observe here that the problem of tariff revision has returned, but now integrally and not in the slightest straightforwardly.
- Whenever one invites the people to express their ideas and actions for productivity increase and couples their reward to the results thereof, then the company must take care of, process and apply these. This is placed on the shoulders of all management from high to low. When increasing the scale it comes down to the problems of making an idea box work (or has one already achieved this?). Are the people concerned insufficiently up to the task for whatever reason, then the possibility that the system acts as a boomerang is not imaginary: compare this to the task-affecting influence of loss signalling with tariffs. Here the problem of the boss, his level and his potential for stimulating leadership arises again.

It is perhaps overstated to say that a company can not apply PA without having applied tariffs successfully first. After all, there are also companies where rightfully the application of tariffs does not come about for all kinds of reasons, although they can never skip a systematic investigation into their work methods without any damage. One can state, however, that the employment of PA requires at least an

almost equal level of leadership and organisation, as that is necessary for the successful application of modern tariffs. “

The thought process of Elliot Jacques; “Equitable Payment”

The psychiatrist Jacques from the Tavistock Institute supervised the Glacier Metal Works as an external confidant “for all levels and all sections” for many years. The book “Equitable Payment” is a further development of the preceding book “Measurement of Responsibility”. It rests on the following fundamental ideas, amongst others:

- “Level of employment work can be measured in terms of the time-span of discretion in a job; that is to say, by the maximum period of time during which the use of discretion is authorised and expected, without review of that discretion by a superior. (Discretion: judgement, reason, policy → thus “time-span of discretion” is the period where someone is capable of and is appointed to make decisions over measures to be taken based on their own judgement.)
- There exist shared social norms of what constitutes a fair or equitable payment for any given level of work, these norms being intuitively known by each individual.
- The totality of these norms constitutes a pattern of equitable payment for differentials in level of work carried (mapped out by him – Mx).
- Each individual is endowed with a given potential capacity for work, this potential capacity showing a characteristic pattern of growth and decline with age, as represented in the standard earning progression array”. (Compare the graph in chapter 14 ‘A history of management’ from “Fundamentals of Business Engineering and Management”).

Application of his method has so far been obstructed largely by the fact that his “measurement of the time-span of discretion” turned out to be difficult to transfer to various positions. Besides that is a notable attempt for a synthetic approach to the problems of reward.

3.4 Closing remarks

Prerequisites for achievement reward

In chapter II it was described how the necessity of the application of the principle “reward according to achievement (contribution)” arises from the definition of human co-operation.

In that same chapter the concept of achievement was separated from the narrow-minded interpretation that it was concerned with exertion, especially the physical input.

After optimisation of the input in the achievement norm for a certain job, it is the output that is central with the application of the concept of achievement. Suitability, training, effort and intelligent use of means are of strong influence there.

In the beginning of this chapter it was indicated in which way qualitative as well as quantitative standards could be determined and set up for every position. This turned

out, however, to be largely inapplicable for all positions at all levels. A clear growth, however, can be established therein.

Subsequently it seems sensible to summarise which requirements must be met by a system of achievement reward here.

1. the task determinations – the fulfilment of which is coupled to an extra reward – should be:
 - thoroughly researched into their relevance for the company or institution concerned
 - thoroughly researched into their feasibility
 - made known to all concerned with clear documentation of requirements, goals and instructions .beforehand
2. the circumstances under which the setting of tasks can be fulfilled should be maintained, or be suitably compensated in case of deviations.
3. The measure in which the setting of tasks are fulfilled should be:
 - a. determined objectively as much as possible
 - b. truly at the influence of the position holders concerned within the circumstances for which the setting of tasks are valid.
4. the system of achievement reward should express a collective importance of the company or institution and the rewarded. This also means that, in the case of possible deficiencies and/or side effects of the system, neither of the parties is stimulated in a direction leading to conflicting interests.
5. The system should allocate a reasonable extra reward for a reasonable extra achievement on a longer or shorter term. Provisions should be built in to counteract inflation tendencies.
6. As long as someone is holding a position he or she should receive a base wage or salary.
7. The different base or position wages should display the required qualitative achievement levels in such a way that the sense of fairness of those concerned is satisfied. Achievement reward should not be used as a compensation for shortcomings in the base or position wages.
8. The system should be sufficiently straightforward so that everyone concerned can understand it.
9. Before the system is implemented all concerned should see and understand the intentions and the functioning of it. Those concerned in this case are both those that will receive their achievement reward by the system, as well as those that must exercise the system (such as the managers).
10. The application of the principle “reward according to achievement” should not be limited to some level or group within the company. It should in principle hold for everyone or nobody and should not include discrimination (as still too often between the workers and not the managers). This does not mean that the system of reward achievement should be the same for all groups. This would neither be possible, or pragmatic.

11. It must be well thought out in which measure individual and/or in groups reward linking are implemented and exercised.
12. All data pertaining to standards, requirements, achievements and the assessment thereof should be accessible to all concerned.
13. The costs of setting up, implementing, maintaining and administration should be in reasonable proportion to the expected direct and indirect benefits.
14. The payments should be accompanied with a clear and for those concerned controllable documentation showing the manner in which the extra reward was calculated.
15. The reward system should be established and guaranteed for at least one year. It is essential to consult desired alterations with all those concerned well on time. This is an absolute requirement for the creation and maintaining of the for co-operation essential trust.

We do not want to conclude these “requirements for achievement reward” without mentioning a peculiar paradox.

Whenever one, as company management, completely controls the performance of a production unit, then one does not really need a system of achievement reward to stimulate (or “to buy”) the endeavour of the people anymore.

Example: the workers on an assembly line of Ford automobiles received fixed wages at the time. Why? Because the speed of the line was fixed mechanically. And those who could not keep up were fired.

The paradox here is: to be capable of applying reward achievement rightfully, one must have sufficient control over the situation as management. But should one control the situation entirely, then it is not necessary anymore.

Achievement reward is only useful when the workers can make an actual contribution to the productivity. If a worker has no influence on the performance then obviously there can be no such thing as “the realisation of an (extra) achievement”. In practice it has proven to be the case, however, that the ability to influence the performance is present much more than one would think.

Remarks with respect to the climate, exercising and programming of assessment and reward systems

Openness or secrecy

In certain companies and institutions pledge of secrecy with respect to wages and salaries is still present. One does not expect though that this data will always indeed remain secret because of this. One wants, however, to be able to ignore or terminate formal discussions on the subject or reward. This can evidently hardly be viewed as a sign of strength. Yet in certain situations this is not unreal. Should one, however, really wish to use the assessment and reward systems as a “tool of management” for clarification of the problem of co-operation, then one is forced to lay the foundation so solidly that one can handle and dare the required openness. In many cases that is definitely not the case yet.

Relationships between portrayal of mankind, assessment and reward systems

One approaches people varyingly depending on the perception that one has of that person. Notable is that which was formulated by McGregor, who contrasted the portrayal of mankind “X” and the portrayal of mankind “Y” (See chapter 13 ‘Forms of leadership’ from “Fundamentals of Business Engineering and Management”).

With the portrayal of mankind “X” the initial application of (extra) reward to make “lazy” people perform nonetheless (humans only work for money → homo economicus).

With the portrayal of mankind “Y” the reward is more in terms of the rightful division of the collectively realised result (humans experience working as a natural need, but also wants to receive the reward for the results thereof → homo ludens economicus). Pure piece wage fits with the portrayal of mankind “X”, which in fact makes an employee a sub-employer.

With the portrayal of mankind “Y” the most developed form of achievement reward fits best → the so-called PA systems, which mainly emphasises the effective co-operation of all concerned. PA systems, however, require a higher degree of organisation (the administration amongst others) and leadership; additionally, a company community must be mentally ready for it.

This leads to the following important conclusion:

- one can not apply a more or less perfect assessment and reward system to a company or institution at will. It must closely adhere to the degree of organisation and social awareness of both the management as well as the subordinates.
- The application of personnel assessment and reward systems should – to be successful – be precisely programmed as a learning and thereby growth process for both management as well as subordinates (compare this to the difference between “stack” and “growth” processes of the closing of lecture nr. 411 “A fundamental model for problem solving”).

Naive, idealistic experiments that do not correspond with realistic human situations do not work (once again the Law of the Situation). They thus obstruct the development, no matter how beautiful, elegant or idealistic they may be constructed.

“Assessment” and reward shall undoubtedly contain important technical and economic aspects; the social and individual psychological aspects are, however, decisive.

Whether we want that or not: in the choice and manner of implementation of assessment and reward systems it is expressed, possibly ruthlessly, how we view ourselves and each other, and on the basis of that how we really treat one another.

Relationship between “systems” and “free reign of powers”

The assessment and reward systems as described in this syllabus undoubtedly intend to work regulative and to “set things straight”. That could insinuate that “the free reign of power” is completely systemised away. That is, however, not at all the case; rather it is localised.

The described systems leave plenty of space for adjustment and change: when the organisation, that is to say the position appointments change, the positions change and with that the valuation of the positions:

- when the insights pertaining to the decisive aspects for the weighing up of the positions change, then one adjusts the system of position classification to this
- whenever the insights pertaining to the relative importance of those distinguished aspects change, then one can review the weighing factors whenever one wants to place an increased or reduced levelling effect in the reward of positions → then one can make the gradient of the reward line as a function of position weight either steeper or less steep.
- Individual differences in position fulfilment can be expressed in the reward in fixed or variable bonuses or reductions with respect to the base position wage.
- Whenever a company or institution performs better than another as a whole then it can permit higher wages and salaries, possibly on a temporary or (semi) permanent basis.
- After all, the same holds *mutatis mutandis* (necessary alterations for it to be applicable elsewhere) for a national economy (think of the previous considerations with respect to the common grounds of external and internal reward possibilities and the previously sketched relationships between reward structure and reward level on the various system levels).

The system does not intend to eliminate the dynamics that lie at the foundation of “the free reign of powers” (which is impossible), but instead to localise and thereby channel the consequences thereof. These effects thus become rationally more manageable. Life, also societal life, is characterised by growth and inheritance. It implicates continual change: of co-operation collectives and types of organisations, of the relative valuation of contributions, products and services. They are “market” relationships, which time and time again express the new constellations. We can, cybernetically viewed, simply not miss the changing market relationships for the signalling of the effects of all sorts of developments. The system only helps with the determination of “which aspects are the causes of things” and in which way it is possible to react (market) rule technically rational to that.