Payment systems and gender in the UK: case study of a chemical company

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10 Payment Systems and Gender in the United Kingdom: Case Study of a Chemical Company

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This study presents the findings of a case study of a chemical company in the north-west of the United Kingdom, where a belt of chemical companies are located. The company studied introduced an integrated grading and payment structure in January 1993. This kind of overhaul of 'human resource management' has received a great deal of attention in British and American literature in connection with the search for flatter and more flexible organizations. The case study was carried out as part of a comparative analysis of payment and grading systems in Germany, Italy and the UK.

10.1. OVERVIEW OF EMPLOYMENT IN THE CASE STUDY AND THE UNITED KINGDOM CHEMICAL INDUSTRY

The chemical industry in the UK employs a total of 297 000 people, which accounts for 1.5 per cent of all employment (1.9 per cent of male employment and one per cent of female employment) (Table 10.1). The share of all employment concentrated in the chemical industry has remained broadly stable over the period since the mid-1980s. Men hold 68 per cent of the jobs in this industry, whereas the overall male share of employment in all manufacturing industries is 70 per cent. In contrast, women hold 48 per cent of all employment in the UK and 56 per cent of employment in the service sector.

The company studied manufactures photographic materials, chemicals and equipment.[2] It has shifted away from the production of colour film in order to develop a niche market, specializing in black and white and related products for professional photographic activities. The company is a subsidiary of one of the largest paper companies in the world.

Table 10.1. Comparison of the employment profile in the chemical industry and the case study

Employment profile	All UK	Chemical industry	Case study
Employment concentration			n.a.
% of all male employment in UK	100	1.9	
% of all female employment in UK	100	1.0	
% of all employment in UK	100	1.4	
Employment segregation			
% female share of workforce	52	32.0	35.0
% part-time employment rate	27	5.2	2.5–3.0
% Union density rate of employees*			
Workplace – less than 25 employees		11.0	n.a.
Workplace – 25 or more employees		38.0	86.0
All workplaces	37	34.0	n.a.
% of employees employed at workplace with > 25 employees[a]	47	88.0	n.a.
Total employment	20 839 500	297 200	1 208

n.a. = not applicable; * = 1991 data for chemical industry and UK; all other data for chemical industry and UK are for September 1992.

Sources: Rubery (1993), appendix (1991 Labour Force Survey); *Employment Gazette 1993: Labour Market Data* (Department of Employment Census of Employment), table 1.4, S12; personnel department, case study.

It is a research-oriented company with an explicit Total Quality Management philosophy and focuses on client-led development of products in order to sustain and develop the current niche market. At the time the case study was conducted the photographic market in the UK was depressed and hit by the recession. However, an internal financial brief for management notes that the company is maintaining its market share and concludes that this places it 'in a strong position to respond rapidly to eventual recovery in key business segments' (Managerial briefing document 1992, Appendix 1).

Just over 1200 people are employed at the workplace in five functional divisions: Finance, Human Resources, Research and Development, Production and Engineering, and Information Technology. The workforce covers a wide spectrum of skills and tasks, from the person who sorts the post, through laboratory technicians to scientists and world experts in narrow and specialized fields of chemistry. The sex composition, part-time rate and union density rate for the company studied are compared in Table 10.1 with those for the industry as a whole. On the first two comparisons the company is broadly similar to other companies in the industry, but a striking difference is its much higher level of unionization compared with the aggregate level for the industry as a whole.

Four unions are recognized at the case study workplace: the Amalgamated Electrical Engineering Union, the Association of Professional, Executive, Clerical and Computer Staff, General Municipal Boilemakers (GMB) and the Manufacturing, Science, Finance Union (MSF). Single table bargaining has replaced a two-tier system of bargaining, initially stimulated by the need for round table discussion in order to implement a redundancy programme set up by the company's head office in the United States. The personnel manager stated that the adoption of single table bargaining made it easier to develop and implement the integrated grading system.

10.2. GRADING AND PAYMENT SYSTEM

On 1 January 1993 a new, integrated grading and payment structure was introduced. This reform was instituted partly in response to significant job changes across the site in the previous 18 months, which had included a programme of redundancies. The new structure is a central component of a comprehensive programme of personnel policies adopted in 1992, summarized in Appendix 1.

The main impetus for the introduction of this new system was the desire to reorganize the way in which the workforce was managed and an explicit

Box 10.1: The flexibility clause

Flexibility and cooperation are essential parts of your employment contract. It is a condition of employment that the Company has the right to transfer an employee permanently or temporarily to a different job of a similar nature ... In order to maintain and improve operational efficiency, all employees must share skills and knowledge. When necessary, employees will be asked by management to perform basic maintenance, administrative and service tasks, provided you have the ability, are trained and it is safe to do so.

Source: Staff Handbook, p. 11.

concern to increase functional flexibility, particularly among manual (blue-collar) workers. Its introduction was described as the adoption of a Human Resource Management strategy which was congruent with the company's Total Quality Management philosophy – namely, minimizing hierarchies and empowering the workforce in order to sustain a competitive edge in quality product markets. To this end, a new flexibility clause was introduced as part of the integrated grading system (see Box 10.1). This overhaul of the grading of the workforce coincided with substantial capital investment and a reorganization of the production process.

Consultations and negotiations concerning the revision of the pay and grading structure lasted two years. The main issue was the size of the increase in the total wage bill in connection with integrated grading, greater functional flexibility and the reduction in job demarcation through the introduction of the flexibility clause. The unions wanted a larger increase in real wages to compensate for the loss of job demarcation.

10.2.1 The pre-1993 grading and payment system

Five separate grading structures were in place and these are listed below, together with a general indication of the job requirements according to the Standard Occupational Classification (OPCS, 1990).

- *Managerial and professional*

  Managerial jobs require a significant amount of knowledge and experience related training associated with the efficient functioning of organizations and business (many managers do not have a university degree, although graduates are becoming more common). Managerial staff include general managers as well as specialist managers (in

  such fields as marketing and sales, personnel, purchasing, computer systems, and production). Professional occupations require a degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training, for example accountants and engineers.

- *Clerical*

  Clerical and secretarial jobs require a good standard of general education. Some occupations require further vocational training to a well-defined standard (for example typing).

- *Laboratory technicians*

  This grading structure encompasses junior posts requiring a good standard of general education, and associated professional jobs requiring a high-level vocational qualification, both of which involve some task-related training.

- *Craft workers (blue-collar)*

  Craft jobs are differentiated from other manual jobs by a substantial period of formal work-based training, such as an apprenticeship (for example, electrical and electronic engineering trades).

- *Operatives and semi-skilled workers (blue-collar)*

  The requirements for these manual jobs are the knowledge and experience necessary to operate vehicles, industrial plant and equipment, to assemble products and to carry out routine tests. Some jobs involve simple and routine tasks, while others call for experience related or task related training.

All the craft workers were men and the managerial grades were also male dominated, particularly among the senior grades. Nearly 100 per cent of the clerical workers were women and 70 per cent of the operatives. Laboratory technicians constituted a more mixed grading structure, with women accounting for 45 per cent of this occupational workforce, although they were disproportionately concentrated in the lower grades. The concentration of women in a narrower range of jobs than men and the male dominance of higher-grade jobs reflect broader patterns of segregation found in the wider labour market (see, for example, Rubery *et al.*, 1992; Rubery and Fagan, 1993).

Each grading structure was associated with a separate salary structure, which was associated in turn with different systems of job evaluation and varying elements of performance-related pay. The unskilled and semi-skilled manual workers were graded using a factor-based job evaluation system. No job evaluation scheme operated for the craft grades where grading was based on formal qualifications gained through apprenticeships rather than on job content. The clerical and managerial grade systems were based on the Hay evaluation scheme. In these two white-collar areas a system of performance related pay was in operation, but not in a systematic way. In some parts of the company it functioned virtually as an automatic two per cent incremental change, regardless of individual performance. The laboratory technician grading was based on a combined system, with a task-oriented assessment rewarded by regrading rather than by a performance pay supplement.

Figure 10.1 shows the relative basic rates of pay in 1991; shift and overtime premiums are excluded. The junior monthly staff (JMS) grading range encompasses unskilled and semi-skilled operatives and clerical workers. The pay and grading for laboratory technicians (Lab), craft workers and apprentices (Craft and S/S) and managerial and professional staff (MSS) are shown separately. The managerial staff had two linked payment structures, one which covered grades 3 to 12 and a second-tier 'contract' pay range covering the higher grades.

While the relationship between the two payment structures covering monthly senior staff produced a smooth, upward-sloping curve, the pattern of overlap was much more ragged at the lower end of the payment distribution. All unskilled, semi-skilled and clerical workers earned between £8,397 in grade A and £11,997 in grade L. Grades H to L overlapped with the bottom of the higher level white-collar (managerial and professional) grades. Comparing these with the laboratory grades, we see that the junior laboratory grades overlapped with the salary range for grades B to H (LTA1 to LTA3), while the senior grades LT1 and LT2 were on a par with grade F and grade K. The starting salary for junior craft workers was slightly below that for senior laboratory technicians, while a qualified (time-served) craft worker ranked much higher and earned more than the bottom three managerial and professional grades (grades 3 to 5).

However, this figure does not show the effect of adding in additional payments such as working-time additions for shift working and overtime. Shift payments would have been concentrated among unskilled and semi-skilled workers and among production team leaders in the craft grades. Overtime payments were also concentrated in those grades.

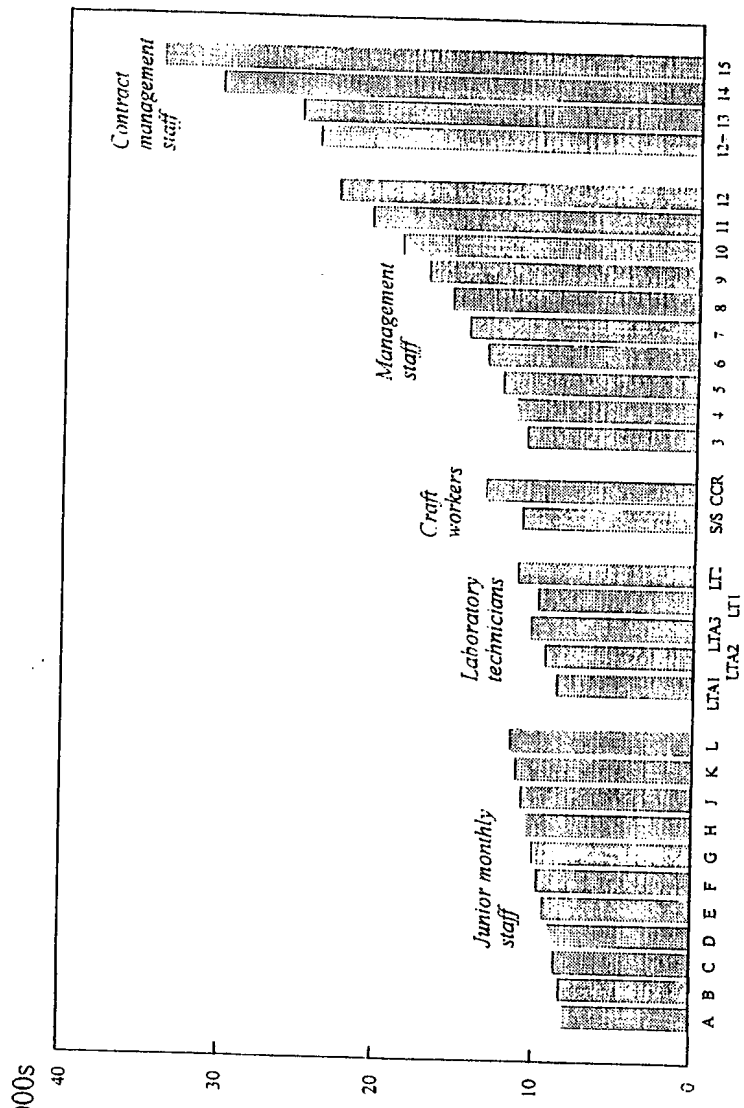

Figure 10.1. Relative rates of pay, 1991 (basic 37.5 hours per week)

Source: Company internal memorandum.

Women account for more than half of the shift workers, while most of the overtime is done by men (see Section 10.2.4 below). Thus the actual earnings in these manual jobs would increase proportionately more than those for other jobs; in particular they would rise relative to clerical jobs, where working-time additions were rare.

10.2.2 The 1993 integrated grading system

A single job evaluation scheme was used in order to develop the integrated grading structure. The job evaluation procedure was designed to comply with the 'spirit as well as the letter' of equal pay on the basis that the old job evaluation systems made it very likely that an equal value claim would eventually be lodged (Managerial briefing document 1992, p. 6). The personnel manager stressed that flexibility rather than sex equality issues was the primary reason for the adoption of integrated grading. Indeed, while integration of employees into one grading structure addressed some of the more visible grounds for equal value claims, an overt and radical comparable worth exercise was not envisaged: 'A pecking order of jobs similar to that in each of the old structures is expected. That is to say present relativities within current grading structures should be maintained'. (Managerial briefing document 1992, p. 6)

Advice was sought from the Equal Opportunities Commission about which was the best scheme to adopt and an off-the-shelf evaluation scheme was adopted (Work Profiling System). The scheme chosen uses a representative selection of jobs for the evaluation. The job holder and his or her line manager work through a system to identify what the job involves. Once they agree on the job content a form is filled in and a computer analysis weights the final score. Effectively the same factors were used throughout the scheme. The union was not involved in the job evaluation exercise. A system for appeals against individual grading decisions was established, and in practice an appeal needed to be supported by the line manager if it was to succeed. A total of 22 appeals were lodged.

The generic streamlining produced a shift from some 100 job titles to between approximately 120 and 130. The result of the evaluation process is that job descriptions are now equivalent to a specification of competency. Some job titles have been included in the grading system which do not actually exist at the workplace, for example senior accountants. The purpose is to create explicit reference points which reveal the linkages between the grades and to cultivate an expectation of fluid promotion channels between them.

The jobs are grouped into a system of 11 grades covering manual, clerical, technical and all managerial jobs. No individual employee is paid

above grade 11 and on an individual contract (but board members are on different contracts). There are some group staff on site who are not employed by the UK company and are therefore on different contracts; for example, the marketing manager for Africa is paid from the Brussels office. The resulting wide grades were designed to increase functional flexibility by reducing the demarcation associated with the previous narrowly defined jobs, to establish clear development ladders for all employees and to remove the anomalies which could result in promotions between the separate grading structures being associated with a reduction in wages (see Figure 10.1).

Table 10.2 examines how women and men are distributed across the new grading structure and the sex segregation of each grade.

Table 10.3 provides example job titles and entry requirements for each of the grades in the Research and Development division, plus grades 1 and 2.

Grades 1 and 2 are basic operative grades: everyone in grade 2 is a packing line operative, and together they account for just under four per cent of the workforce. Just over five per cent of the female workforce and three per cent of the male workforce are found in these two lowest grades. Women account for half of the workforce in both of them. This means that the sex share of this part of the job hierarchy is mixed, but that women are overrepresented in these grades relative to their 35 per cent share of the overall workforce.

Jobs evaluated as semi-skilled are found in grade 3, with a higher evaluation of the skill content for jobs put into grade 4. Nearly 60 per cent of female employees are employed in grades 3 and 4. Nearly a third of all men are also concentrated in these grades, but they are more dispersed across the higher grades. The majority of grade 3 workers are women and in grade 4 women are still overrepresented relative to their share of the workforce (43 per cent compared with 35 per cent). Most of the women in these grades are in junior clerical and laboratory technician jobs. Male-dominated production jobs in these grades include general operative jobs such as warehouse operators and fork-lift truck drivers; courier mail service operators and trained craft workers are in grade 4.

By grade 5 we see a further increase in the male share of the grade, although the female share is just over the women's share for the total workforce (38 per cent compared with 35 per cent). This grade accounts for 12 per cent of all men and 13 per cent of all women employed at the workplace. More senior clerical and laboratory workers are found in grade 5, along with some specialized posts such as systems analysts in marketing. This is the highest grade for semi-skilled (non-managerial) production

Table 10.2. Concentration and segregation in the integrated grading structure, 1993

Grade	% concentration of employment			% female share of grade	Total number of employees	Example job titles
	Men	Women	Total			
1	0.1	0	0.1	0	1	Operatives, mainly on packing line
2	2.8	5.4	3.8	51	45	
3	19.8	44.7	28.6	55	345	Clerical; laboratory technicians; warehouse operators; drivers
4	10.0	13.6	11.3	43	136	
5	11.7	13.4	12.4	38	149	Clerical; laboratory technicians; non-managerial production jobs such as night shift team leader in warehouse; systems analyst in marketing
6	14.9	7.8	12.3	22	150	Graduate scientists, including laboratory workers; craft and production supervisors/managers such as process control technician. (Graduate entry grade for professionals)

Table 10.2. (continued)

Grade	% concentration of employment			% female share of grade	Total number of employees	Example job titles
	Men	Women	Total			
7	8.7	6.4	7.9	28	95	Professional, e.g. accountants, information technology specialists, personnel; production supervisors/managers
8	8.3	4.2	6.9	22	83	Professional as for grade 7; shift managers
9	10.9	2.8	8.0	12	97	
10	6.9	0.7	4.7	5	57	Section and departmental managers
11	3.8	0	2.5	0	30	
not classified*	2.0	0.9	1.7	20	20	
Total = 100%	783	425	1 208	35	1 208	

* = not classified (includes individuals for whom a grading position has not yet been decided as well as company directors).
Source: Personnel records, case-study.

Table 10.3. Examples of job titles and entry requirements in the integrated grading structure

Grade	Example job titles	Entry requirements	Overtime bonus + merit payment	Fringe benefits
1	Site 'manager' (operative)	Literate	O/T paid	—
2	Packing operator	Good GCSE in English and Maths (min.)	O/T paid	—
3	Junior analytical technician	Four good GCSE grades	O/T paid	—
4	Senior research assistant	Four GCSE + ONC or "A" levels	O/T paid	—
5	Research technician	Four GCSE (incl. chemistry) + ONC/experience	O/T paid	—
6	Graduate scientist	Relevant degree	O/T paid	—
7	Research scientist I	Degree + experience or PhD	O/T paid	—
8	Research scientist II	PhD + experience	O/T paid	—
9	Research scientist III	As above	O/T paid	—
10	Section leader	As above but with management skills	No O/T paid	Car
11	Department manager	As above (experience obviously greater)	No O/T paid	Car

ONC = Ordinary National Certificate. Jobs in grades 3–11 are in Research and Development. All employees are eligible to join the company pension scheme. All employees are eligible for variable element of pay payments; the total cost to the company is approximately 2 per cent of the payroll.

Source: Personnel records, case-study.

workers, such as team leaders of the night shift in the warehouse. It is also the highest grade for clerical workers.

Women are underrepresented in grade 6 and above. Grade 6 is the lowest grade for graduates. This grade also includes senior laboratory workers, most of whom are men at this level, and craft workers, for example a process control technician in emulsions and a universal operator in the coating department. Grade 7 encompasses professional and some production supervisory/management jobs. From grade 8 upwards the male domination of the jobs increases sharply, associated with managerial and more senior professional posts.

10.2.3 The new payment structure

The new salary structure was designed to emphasize the link between pay and company performance rather than individual bonuses based on quantitative output: 'The company's aim is to pay salaries which are competitive, relate to the achievement of business objectives and encourage and reward individual performance'. (Staff Handbook, p. 4)

In the new structure each grade has three levels (see Box 10.2). Level 1 is the entry level, level 2 is the normal level or 'rate for the job' and level 3 is designed to be occupied by a small minority of employees who are either awaiting promotion or possess a special skill which is neither required at level 2 by the majority of staff nor relevant for promotion to a higher grade, for example a bilingual qualification.

Figure 10.2 maps the highest and lowest salary point for grades 1 to 9, which resulted from taking staff out of their separate grade and payment structures (shown in Figure 10.1) and slotting them into their new grade at their pre-existing salary level following the job evaluation exercise.[3] The variation in the width of the earnings dispersal for different grades is evident, indicating the previous undervaluation of some jobs relative to those in other payment and grading structures. The dispersal, and implicit discrepancy, is widest in grade 5, where the top and bottom salary points do not fit into the upward trend between grade and salary range shown in the figure. This is the highest level grade in which women are still overrepresented relative to their share of the total workforce.

Table 10.4 compares the estimated pre-existing salary range reproduced as Figure 10.3 with the new salary levels which were introduced in January 1993. The streamlining of the new payment system is evident, with the differential range within each grade having been compressed by replacing the pre-existing upper salary with a lower maximum salary (level 3) and raising the minimum salary in each grade from 3 upwards.

Box 10.2. The new grade levels

Level 1
This is the entry level. The time spent at this level will vary according to the job and the individual (from a few weeks to two years). Once the individual is able to fully perform the job as described in the job evaluation process to the appropriate standard he/she will proceed to level 2.

After one year in this level the individual may be eligible for lump sum performance payments.

Level 2
This is the level at which an individual is fully performing all the elements of the job to a consistently acceptable standard. This will be the level occupied by the majority of people.

'Continuous improvement' is a requirement of maintaining this level. The individual will receive training in new methods of work to improve both his/her working methods and flexibility (this may be considered the 'rate for the job').

Level 3
A small minority of employees will occupy this level. As a general guide, if more than 10 per cent of a job population is found in level 3 then a reassessment of the job's grade should be carried out.

Entry to level 3 is restricted to two types of job holder:

(a) the individual possesses all the necessary skills, knowledge etc. to move to a higher grade and is putting these to good use in the present post. Hence, the individual is ready for promotion but there is no appropriate vacancy;
(b) the individual has specialist skills above those required by all job holders but not relevant to a higher graded job. These skills are not required by all normal level 2 job holders and will not be required by them in the foreseeable future. These additional skills are of sufficient importance to set the individual apart from other holders of the same job.

Source: Extract from internal personnel document explaining the new grading and payment structure, January 1993.

The more regular pattern of smaller differentials for each grade under the new structure is illustrated in figure 10.3. The differentials between the grades produce a smoother line, although these vary. Thus the differential between the grades on the basis of the normal (level 2) rate for each grade and the entry rate (level 1) for the grade above is between 8 and 11 per cent for all grades except between grades 3 and 4 (0.4 per cent), 4 and 5 (2.6 per cent), and 7 and 8 (4 per cent).

What is the gender impact of the integrated grading and payment structure? Who benefited from the transition and who is likely to benefit in the

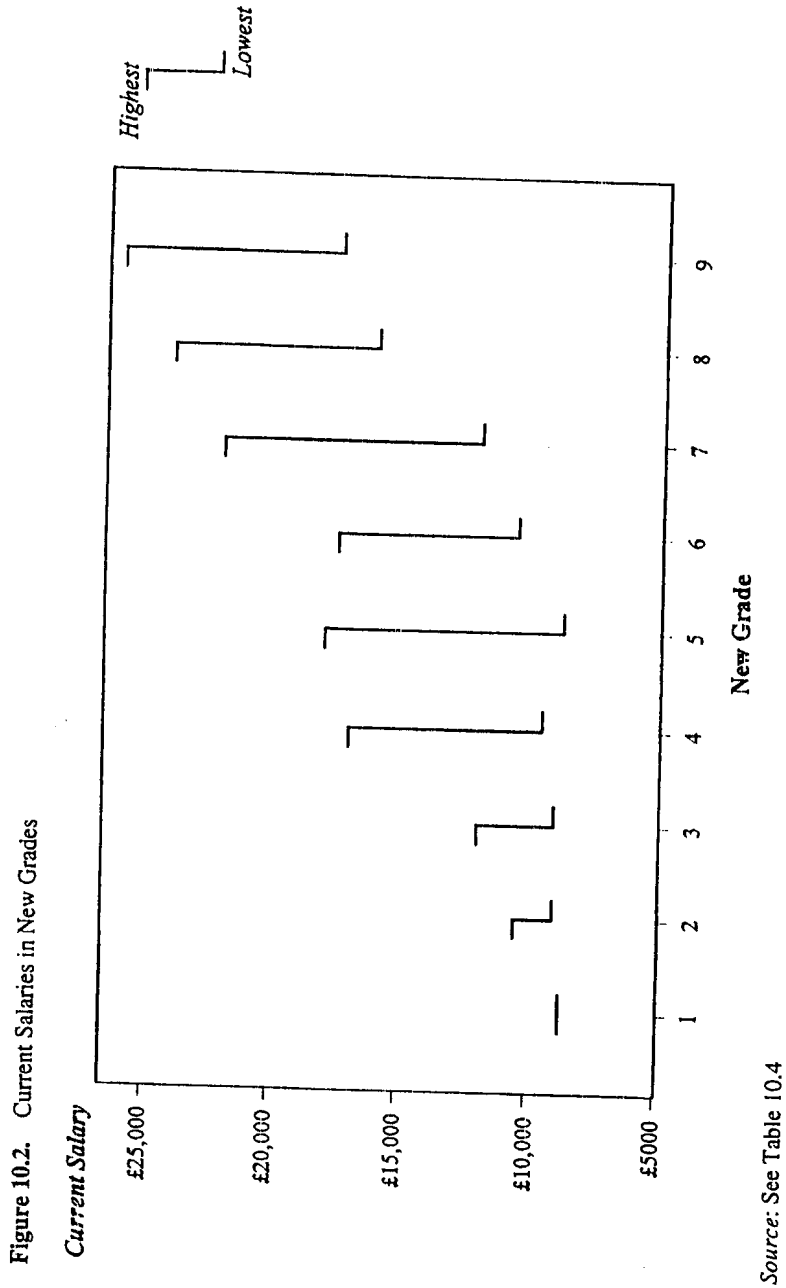

Figure 10.2. Current Salaries in New Grades

Source: See Table 10.4

Table 10.4. Pre-existing and revised salary ranges for the new grading system (in £ sterling), and distribution of 'losers'

Grade	% female share of grade	Pre-existing salary range (when posts regraded into new system*)			New salary levels				Distribution of 'losers'†† (those who received a zero pay rise in the transition)	
		Lowest	Highest	% differential	Level 1	Level 2	Level 3	% differential levels 1–3	% of grade	% distribution of 'losers'
1	0	8 700	8 700	n.a.	7 742.50	8 150.0	8 557.5	10.5	..	..
2	51	9 000	10 500	16	8 761.85	9 223.0	9 684.15	10.5	44	15
3	55	9 000	12 000	33	10 070.0	10 600.0	11 130.0	10.5	13	34
4	43	9 500	17 000	79	10 640.0	11 200.0	11 760.0	10.5	6	6
5	38	8 700	18 000	107	11 495.0	12 100.0	12 705.0	10.5	4	4
6	22	10 500	17 500	67	13 309.0	14 300.0	15 015.0	12.8	6	7
7	28	12 000	22 000	83	15 309.0	16 550.0	17 791.0	16.2	16	12
8	22	16 000	24 000	50	17 280.0	19 200.0	21 120.0	22.2	8	11
9	12	17 500	>26 000	>50	21 285.0	23 650.0	26 015.0	22.2	17	12

Table 10.4 (continued)

Grade	% female share of grade	Pre-existing salary range (when posts regraded into new system*)			New salary levels				Distribution of 'losers'†† (those who received a zero pay rise in the transition)	
		Lowest	Highest	% differential	Level 1	Level 2	Level 3	% differential levels 1–3	% of grade	% distribution of 'losers'
10†	5	..	..	..	26 015.0	28 616.5	31 477.15	21.0	..	..
11†	0	..	..	..	31 477.15	34 642.87	38 107.16	21.6	..	..
								Total 'losers' grades 2–9	12	100

n.a. = not applicable. *These figures are estimates derived from a graphical presentation in a company document, reproduced as figure 3. †No data for grades 10 and 11 were provided in the company document, in part because the new salary levels had not been agreed at the time. In the second interview, the personnel manager provided the agreed salary levels for these grades: grade 10 equal to the top of grade 9, and a 10 per cent differential between each level in both grades 10 and 11. Estimated salary ranges were derived using this information and involved making the assumption that grade 11 starts roughly equal to the top of grade 10, following the practice adopted from grade 5 upwards in the structure. ††No data were available for grades 1, 10 and 11, which account for over 10 per cent of the male workforce and less than one per cent of the female workforce.
Sources: Information leaflet for employees on the new pay and grading structure prior to its implementation in January 1993; memorandum to departmental managers; interview, personnel department.

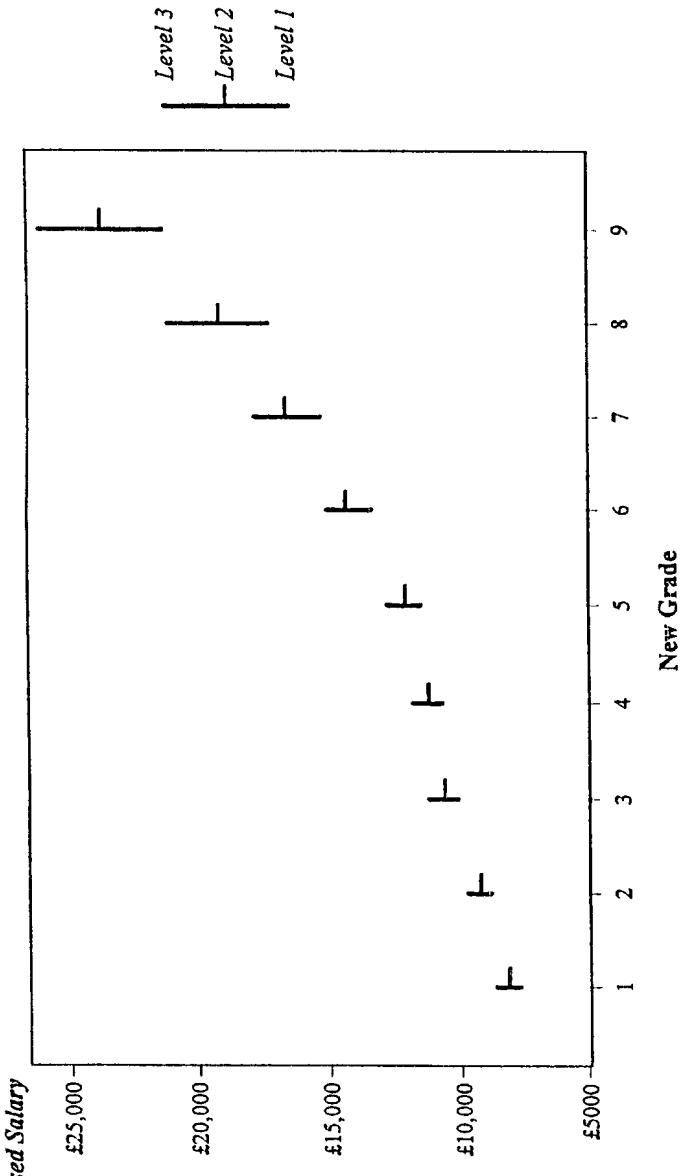

Figure 10.3. Proposed 1993 Salary Levels

Source: See Table 10.4

future? The introduction of the new structure increased payroll costs by 4.4 per cent during 1993 (3.5 per cent over and above the 1992 pay costs across the site). Salaries were capped during the transition in order to keep the maximum individual rise at 10 per cent. A total of 203 employees were capped by this 10 per cent ceiling, 79 per cent (160) of whom were men. While men's salaries were disproportionately constrained relative to their share of the workforce, twice as many men as women received the maximum 10 per cent pay rise: 21 per cent of men compared with 10 per cent of women. Most of the men who were capped to a maximum 10 per cent rise were production managers/supervisors who had been re-graded from team leader positions because their jobs had expanded to include responsibility for expensive capital equipment.

While one occupational group of men was more likely than women to receive the maximum pay rise, another group of men was more likely to receive the minimum pay rise. The personnel manager stated that a higher percentage of men than women had their wages frozen. Unfortunately, a breakdown by sex of those who received a zero wage increase was not available, but it was possible to provide a breakdown by grade (see Table 10.4). Overall, about 12 per cent of the total workforce received no wage increase. The last column in Table 10.4 shows the incidence of 'losers' – employees who received no wage increase – within each grade and their distribution across the grades.

Employees in grade 2 (operatives) were much more likely to be 'losers' than those in any other grade; 44 per cent of these employees received no wage increase. Fifteen per cent of 'losers' were from this grade, although grade 2 accounted for only 4 per cent of all employees. 'Losers' were also disproportionately concentrated in grade 3, where there were 34 per cent of 'losers' compared with 29 per cent of all employees. Over 50 per cent of women employees compared with 22 per cent of male employees are found in these grades (see Table 10.2). Although women account for just over half the workforce in grades 2 and 3, most of the 'losers' and those receiving only a small wage rise in these grades were men, particularly operatives. This was a result of the job evaluation scheme which removed the previous evaluative emphasis on factors connected with moving heavy weights, associated with male-dominated jobs such as warehouse operatives. In contrast, most women in production jobs were packing films, which did not involve moving heavy weights. In addition, overtime premiums were reduced and this has fed through into lower total salaries, particularly for men in these grades. Slightly more male than female employees in these grades worked overtime (see Section 10.2.4 below) and much longer overtime hours were worked by men on average.

Further losses which remain to be resolved in the phasing-in period relate primarily to male-dominated jobs in these lower grades. While individual pay anomalies are scattered throughout the new hierarchy, the most significant one concerns about 50 operators in the warehouse, most of whom are men. For the pay of these operatives to match their grade they need to be held down until the grade levels have risen by three per cent. Since the personnel department expects to be negotiating pay settlements of 1 to 1.5 per cent over the next few years, this adjustment would take three years.[4]

However, it is not simply that the higher grades have been protected while the lower grades have lost out, for 'losers' are also overrepresented in some of the higher grades. The risk of being a 'loser' was higher in grades 9 and 7 than in grade 3, and 35 per cent of 'losers' were concentrated in grades 7 to 9, although these grades account for only 23 per cent of all employment. These are male-dominated professional and managerial grades, and again most 'losers' were male employees. At this level of the hierarchy the reason they lost was primarily to do with dismantling the complex and fragmented systems of performance-related pay.

Those employees who were placed in the middle grades 4 to 6 (and grade 8 to a lesser extent) seem to have benefited most from the integration of previously fragmented and segregated job hierarchies. The risk of being a 'loser' was much lower for employees in the middle grade, an incidence of between 4 and 6 per cent. These grades accounted for 36 per cent of all employees and only 17 per cent of all 'losers'. According to the personnel manager, there were proportionally more winners in grades 4 and 5 'where rates have been traditionally lower than their "value"'. More than half the employees in these grades are male, but the female share is higher than the overall female share of the workforce. Together, grades 4 and 5 account for 27 per cent of all female employees – primarily as laboratory technicians and clerical workers – and 22 per cent of all male employees.

From Figure 10.1 we can see that the previous salary range for laboratory technicians was from just over £8000 to just under £12 000, while the basic salary for trainee craft workers (S/S) was about £11 000 and just under £14 000 for craft workers. Table 10.4 shows that the new salary range for laboratory technicians starts at £10 070 (grade 3, level 1), which is the entry rate for the lowest-grade white-collar employees such as junior analytical technicians, the standard rate being £10 600 (grade 3, level 2). This is a significant increase in the starting salary. It is also a gain relative to trainee craft workers, for although they start one grade higher (grade 4) than laboratory technicians, the standard wage rate of £11 200 is similar to

their basic wage under the old system. There was a smaller increase at the upper end of the salary range for laboratory technicians, with a salary of just over £12 000 in grade 5. Graduate laboratory workers, other graduate professional jobs and craft workers are located in grade 6 on a standard salary of £14 300. The wage increases for laboratory technicians mean that they are now well paid relative to equivalent posts in other companies where separate grading systems still operate. The regrading has also explicitly ranked the highest-level laboratory workers alongside other graduate professionals (grade 6) and reduced the wage differentials between laboratory work grades and the more male-dominated craft grades.

There were a larger number of grades for clerical jobs than for laboratory technicians, and the new system has compressed the range for clerical workers. The grading of secretaries has also been standardized across departments as a result of integration. The compression and new salary range have benefited those clerical workers who were in the lowest grades under the previous system; however, a few secretaries had been in senior grades before the integration and they lost out in the transition. By putting clerical workers in grades 3 to 5, the integration has explicitly ranked them alongside laboratory technicians and skilled production workers, but below the graduate and craft jobs in grade 6.

Some male-dominated production jobs have also benefited from re-evaluation and the integrated system. The rationalization of the grading of section leaders in production areas resulted in a higher grading and large pay increases for those team leaders who were found to have responsibility for managing expensive capital equipment, placing them in grades 6 and 7. This expansion of job content associated with changes in the production process may lead to further re-evaluation.

10.2.4 Performance bonuses and working-time premiums

Performance bonuses and working-time premiums are other important elements of the wage structure. The new wage structure has moved away from performance related pay, which was assessed by the personnel department as an ineffective incentive under the previous system. Promotion and training will form the primary reward for performance. Exceptional performance ('outstanding individual effort') is to be rewarded through a formalized system of specific, one-off cash payments at the end of the year. These payments will be made from a fixed budget set at a predetermined percentage of functional payroll costs linked to overall company performance. Such a payment is more likely to affect lower-grade staff, since it is a reward for performance in the current post and where the

alternative rewards of training or promotion are not possible. Since women are currently overrepresented in the lower grades they stand to benefit most from these bonus payments, but the actual outcome depends on the implementation of the scheme. For example, options for training to enhance promotion prospects may not be seriously considered as an alternative recompense; or a disproportionate share of the payments may go to men in these grades.

Shift workers are found in grades 2, 3, 4 and 6, with shift managers in grade 9. Grades 2 to 4 are female-dominated and women account for 60 per cent of all shift workers. Shift workers are contracted to work 38.25 hours (compared with 37.5 hours for other employees) in order to allow a daily 15-minute hand-over period. The main shift pattern is the 5D2 rota (five days rotation: 0600–1400, 1400–2200), for which a premium of 16.5 per cent is payable on top of the basic salary. A new shift pattern has been introduced in order to permit specific machinery to be operated 12 days out of 14. Crews work in 12-hour blocks, including three weekends in eight, with weekly hours thus totalling 41 on average. A 28 per cent premium is paid for this working-time arrangement, and a similar premium is received by those working nights.

All employees except those in grades 10 and 11 are eligible for overtime payments. Authorized (ad hoc) overtime is compensated at the rate of time and a half (including a shift premium where appropriate), by time off in lieu, or by a combination of these agreed with the line manager. Sunday working is paid at a premium of double the basic rate including shift premiums where appropriate. Special premiums are paid for working on statutory holidays.

Sixty-eight per cent of employees who had worked at least one hour of overtime between April and November 1993 were men (Table 10.5). Grade 3 accounted for 41 per cent of all employees who had done overtime, a figure disproportionate to the 29 per cent share of employees who were concentrated in that grade. This pattern applied to both sexes. Apart from in grade 3, the distribution of overtime working by men broadly followed that for all male employees across the grades, whereas for women it was slightly higher in grade 4 and slightly lower in grades 5 and 6. Compared with the female share of each grade, a lower share of women worked overtime in every instance.

10.2.5 Summary of the gender impact of integration

The integration of separate and sex-segregated grading and payment structures into a uniform grading system where most employees in each grade will be paid at the same (level 2) basic rate has removed one axis of discrimination, namely that of segregation into different and overlapping job hierarchies associated with different payment structures (IRS, 1991; 1992). However, additions for shift work and overtime will still produce a gender pay gap in actual salaries within each grade. A further dimension also needs to be taken into account, that of vertical segregation between the grades (Table 10.2).

In general, the male manual workers in grades 2 and 3 have borne the cost of integration, for they were the most likely to have been 'losers' when the new salary ranges were set. The simplification of the payment structure, with the reduction of performance related components, has produced some losses for individual men in the higher grades. At the same time, while women operatives in grades 2 and 3 may not have been as likely to be 'losers' as men, women who worked overtime were more likely to be in one of those grades than in any other and will have felt the impact of reduced real rates for overtime working.

The explicit ranking of previous sex-segregated and fragmented grading structures necessitated by the process of integration has tended to benefit women with higher qualification levels, namely female laboratory technicians and clerical employees in the middle level grades. The benefit for

Table 10.5. Distribution of employees who worked at least one hour of overtime, April–November 1993

Grade	Distribution of employees working overtime by grade			Female share of employees working overtime
	Women	Men	All	
2	7	3	4	49
3	56	34	41	43
4	11	10	10	33
5	9	13	12	24
6	6	15	13	16
7	6	8	7	25
8	4	7	6	20
9	1	9	6	6
Total (N)	(265)	(568)	(833)	32

Source: Personnel records.

women in these middle level graded jobs is in terms of wage increases and in some improvement in the status through gains relative to the more male dominated production jobs which they have been ranked against.

Integration has weakened the bargaining power of male-dominated occupational areas to secure higher wages relative to women segregated into other job areas. But at the same time, it has resulted in significant gains for skilled (male) production workers found to be responsible for expensive capital equipment, who have made significant gains under the job evaluation scheme on the basis that they have managerial responsibility rather than limited supervisory or 'team leader' responsibility.

Looking across the entire vertical distribution of the grades, we can see that integration has been accompanied by a stretching of the wage dispersal. 'Losers' (mostly men) in the unskilled and semi-skilled grades have paid for the wage increases given to workers with formal qualifications, including production workers with managerial responsibilities and those in the male dominated professional grades. Women in the laboratory and clerical grades, however, have also benefited from the integrated evaluation scheme. The wage gains made by these women were significant, but a gender wage gap persists because they remain underrepresented in the higher grades. One illustration of this fact is that the wage increase received on promotion between grades – namely, a move from level 3 in one grade to level 1 in the grade above – is less than 3 per cent when moving between grades 3, 4 and 5 compared with between 7 and 10 per cent for all other moves between the higher grades (except between grades 7 and 8). Thus the financial rewards from promotion are lowest in that part of the hierarchy where women are concentrated.

The grade and wage relativities will continue to change through collective bargaining and new managerial strategies, which will obviously impact on future gender differentials and need to be taken into account in evaluating the impact of the reformed wage and grading structure. The dominant issues on the bargaining agenda are outlined below.

10.3. FUTURE PAY AND GRADING ISSUES

10.3.1 Adjustment of grade differentials

The union has asked for the differentials between the grades to be changed and for a relative improvement in the position of grade 3 employees, who on average received disproportionately low or zero wage increases in the move to the integrated system. Although the impetus for this may derive

primarily from concern for the male grade 3 employees who were disproportionately the 'losers' as a result of integration, women account for over half of the grade 3 workers and also stand to benefit from any gains made through collective bargaining. Thus while the unions have tended to place more emphasis on negotiating on issues of pay differentials than on questions of equal pay and equal value (Rubery and Fagan, 1994), in the context of an integrated grading structure the outcome may have positive gender implications since the sexes are no longer segregated for collective bargaining purposes.

However, management's primary concern is with the higher level and more male dominated professional grades. In particular, grades 8 and 9 (accountants, information technology specialists, personnel officers) are falling behind the market rate according to survey data for these professions. Despite the recession, skill shortages remain for people with three to four years' business experience in addition to their professional qualifications. Employees in these grades can in principle claim overtime but in practice do not. Therefore, the plan is to buy out the overtime with a four per cent real wage increase which will make the rate quoted in advertisements for these jobs more competitive. This will increase the wage dispersal between the higher and lower grades.

10.3.2 Grading, flexibility and career ladders

The personnel department also aims to develop further the flexibility between craft and operator areas and between different managerial areas. For example, an accountant has just moved into product management.

Another area of concern is promotion blockages, which obviously undermine attempts to reward staff through training and promotion. A particular problem is found in production areas because the abolition of the old supervisory grades has left a large gap in many functional areas between the top production jobs in grade 4 and craft and production manager jobs in grades 6 and 7. This gap in the career ladder needs to be addressed, and one possibility is to remove specific production jobs in favour of a fully generic scheme so that grade 5 would encompass both skilled and widely experienced production workers.

Promotion blockages are also found within junior management. To some extent these are 'fiddled' in Research and Development sections by creating jobs to match the persons concerned. The problem is that there is an oversupply of junior managers who are not yet sufficiently experienced to become full departmental managers, but at the same time a way of motivating them needs to be more fully developed.

10.3.3 Working-time reform

The future of automatic annual pay awards linked to the cost of living is under review. The personnel department sees more room for negotiation on working-time issues than on wages in the foreseeable future.

The personnel department is against a straight reduction in contractual hours, because the last reduction led to an increase in overtime worked, except in the clerical grades. Instead, the objective is to develop a package which reduces both ad hoc and contractual overtime and leads to a more effective matching of hours to fluctuations in workloads. Currently at certain times there are peaks in overtime and in other periods production is so slack that some employees ask to go home rather than sit and do nothing. This fluctuation is not regular or seasonal (except for holiday cover to some extent) but could be planned on a three-month basis. Therefore, the personnel department would be willing to increase the flexitime reconciliation period from four weeks to three months as an intermediate step towards the greater flexibility offered by annualized hours arrangements.

The unions have a deferred claim for a 35-hour week and three additional days' holiday. They would like to increase the flexibility of the flexitime system by reducing the core time and increasing the number of hours which can be carried as a credit or debit within the four-week settlement period. They are opposing the personnel department's proposed introduction of annualized hours.

10.4. THE INTERNAL LABOUR MARKET, ENTRY POINTS AND VERTICAL SEGREGATION

We have already noted that men hold 65 per cent of the jobs in the company studied – a gender composition of the workforce which has remained fairly stable over time – and that women are concentrated in the lower grades.

There is a higher turnover of female staff, since 30 per cent of the current female workforce started their employment in or after 1990 compared with 16 per cent of the male workforce. This higher turnover of women is probably associated with the 'woman returner' pattern of women quitting the labour market when their children are young and returning once their children enter school. This pattern is more prevalent in the UK than in other European Union countries (Dex and Walters, 1989; Bulletin on Women and Employment in the EC, 1992), although there is evidence that younger generations of women in the UK are demonstrating more continuous patterns of economic activity during the early years of motherhood (Martin and Roberts, 1984; McRae, 1991).

While this lack of continuity may account for part of the underrepresentation of women in the higher grades, it does not account for all of it. When we look at women with periods of service similar to those of men we still see that they are more concentrated in the lower grades. For example, of those who started at the company before 1980, 37.2 per cent of the men are in grades 9 to 11 whereas 39.6 per cent of women are in grade 4 or below (see Table 10.6). Furthermore, over 20 per cent of men but only one per cent of women who started their period of employment in 1990 or 1991 are in grades 9 to 11.

Hence, continuity of service is not a sufficient strategy for women wishing to progress up the hierarchy via the internal labour market. Part of the reason is segregated entry points, with men more likely to gain entry via those vacancies in higher grades which are filled through the external labour market. For example, 8.5 per cent of men and only 2.1 per cent of women who were appointed in 1992 and 1993 and are still employed by the company are in grade 9 or above (see Table 10.6).

10.5. EDUCATION AND TRAINING POLICY

Training decisions used to be centralized in one personnel department, but in 1990 this activity was decentralized to line manager level. Line managers now have responsibility for their own training budget and training decisions. This devolution was made on the ground that managers were in a better position than a centralized personnel department to decide what was needed.

Training starts with induction tailored to the requirements of the particular post. It is company policy for everyone to have a Personal Development Plan. At least once a year it should be formally discussed with the appropriate line manager in order to review the individual's career aspirations, progress and development. Training needs would usually form part of this discussion in relation both to the current job and to future or prospective responsibilities or promotion. The review should culminate in an agreed action plan for staff development.

There is a commitment to a minimum average of three per cent of contracted hours to be devoted to off-the-job training. The personnel

Table 10.6. Grade attainment by length of service by sex

	% distribution by grade										n = 100%
	1–2	3	4	5	6	7	8	9	10	11	
Pre-1980											
Male	0.8	12.6	8.0	12.6	11.1	8.8	8.8	16.5	13.4	7.3	261
Female	1.9	30.2	7.5	9.4	17.0	15.1	7.5	7.5	3.8	0.0	53
1980–4											
Male	1.6	22.6	13.1	12.3	13.9	14.3	9.5	7.9	3.6	1.2	252
Female	3.6	53.0	12.7	10.2	8.4	7.8	2.4	1.2	0.6	0.0	166
1985–9											
Male	2.3	17.2	9.4	13.3	30.5	4.7	6.3	10.2	3.1	3.1	128
Female	2.7	30.7	21.3	16.0	12.0	4.0	8.0	5.3	0.0	0.0	75
1990–1											
Male	5.9	29.4	11.8	13.2	7.4	4.4	7.4	10.3	5.9	4.4	68
Female	3.8	50.6	13.9	25.3	0.0	3.8	1.3	1.3	0.0	0.0	79
1992–3											
Male	17.2	39.7	6.9	3.4	15.5	0.0	8.6	3.4	3.4	1.7	58
Female	22.9	47.9	12.5	6.3	2.1	0.0	6.3	2.1	0.0	0.0	48
Total (n)											
Male	22	155	78	92	117	68	65	85	54	30	766
Female	23	190	58	57	33	27	18	12	3	0.0	421

Note: No data available for 1.7 per cent (21) employees
Source: Personnel department, case-study.

department does not envisage a conflict of interest at line management level between the immediate demands of day-to-day cover and long-term training needs. This fact might be connected with the explicit Total Quality Management philosophy and the way in which appraisal and training needs are discussed on a systematic and regular basis. Thus the company can perhaps be considered to have a positive commitment and orientation to training. If staff do not agree with the training needs identified at their appraisal they can appeal through the grievance procedure, but no such action has occurred.

Training is usually organized on a day release basis. The two-year contractual requirement to remain at the end of a period of training has been abolished. The company philosophy is that opportunities and prospects rather than compulsion should be used to retain employees after a period of training.

Because of the recent devolution of training policy there are no centralized records of who is receiving what training, but a computerized company-wide training records system is being developed. Presumably this database could be used to monitor the equal opportunities issues surrounding who gets access to what training.

Receiving company-sponsored training is thus an important means of moving up in the internal labour market. It is theoretically possible to move from General Certificate of Secondary Education level up to degree/PhD level, and more commonly people with passes in the General Certificate of Education at Advanced level have been sponsored through to PhD level. Exceptional operatives have gained promotion to junior laboratory posts and subsequently received sponsorship to obtain the qualifications necessary for further promotion. At the same time, experience remains an important criterion as well, for example, some clerical workers have moved into junior management positions on the basis of their experience and aptitude as well as formal training.

10.6. SUBCONTRACTING

Some activities are contracted out because it is cheaper and more flexible than performing them in-house, and the extent of contracting out has remained stable over time. The type of activities covered range from the usual areas of cleaning, security and catering through to more skilled work on certain engineering projects. In addition, some individuals who have left or retired have returned on a freelance basis, for example in the library and patent office.

10.7. IMPACT OF THE INTEGRATED GRADING AND PAYMENT STRUCTURES ON LABOUR COSTS AND PRODUCTIVITY

Increased flexibility was achieved, primarily in blue-collar areas, because laboratory and clerical staff were already highly flexible. Some costs increased because people now move between a wider range of tasks, and for some tasks they may be less effective or require a longer warm-up time than for others. Other costs have been reduced, for example covering tasks associated with higher grade positions or horizontally graded jobs elsewhere on the site. Furthermore, the wider grades have reduced the likelihood of successful regrading appeals and the associated costs.

Output and productivity increased at the same time as the bonus system was removed, but this fact cannot be disentangled from the concomitant introduction of substantial capital investment. However, the combination of the prior redundancy programme and the new integrated system means that the payroll is now six to eight per cent less than it was in 1990.

Notes

1. Department of Sociology, University of Liverpool.
2. The information in this case study was collected through two interviews with a senior personnel manager. The first interview explored a standard list of issues which formed the basis for the fieldwork in each case study and each country in this book. It lasted two and a half hours. Notes were taken and were written up in conjunction with analysis of various company documents containing detailed information on employment terms and conditions and the new grading and payment structure. A second more structured interview took place with the same member of staff. It lasted one and a half hours and part of it involved a second personnel manager, who had particular knowledge of the job evaluation scheme which had been used. Subsequent contact was made by telephone to clarify or confirm specific points of information.
3. This figure was taken from an internal document which did not contain information for grades 10 and 11.
4. One compensation in terms of net rather than gross pay was that in 1992 the company pension scheme become non-contributory, which amounts to around a 6% pay rise. The scheme will remain non-contributory for the foreseeable future.

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APPENDIX 1: OTHER GENERAL CONDITIONS OF EMPLOYMENT

The standards and procedures applicable to everyone in the company are set out in a staff handbook and summarised below. The handbook is given to employees, but is not automatically given to non-executive directors.

A1.1 Equal opportunities policy

The company has had an equal opportunities policy since 1986 and the staff handbook states that the company is committed to the development of positive policies to provide opportunities in employment. The policy has been updated over time and an action plan has been developed, which includes a formal positive action programme with built-in targets. As yet there are no positive action training programmes to desegregate the workforce through training women and men in non-traditional areas of work.

A1.2 Pensions and other occupational benefits

The normal retirement age for all employees is 65 years, extensions beyond this are approved only in exceptional circumstances. The company has a contracted-out Company Pension Scheme and there are no criteria which must be satisfied, such as

an hours or length of service threshold, all employees are entitled to join. The same pension scheme applies to all grades and around 90% of the workforce are members.

The Occupational Health Department is responsible for the health and welfare needs of staff. Sick pay entitlement is related to length of service, ranging from 5 weeks' full pay for staff with less than one year's service up to 26 weeks' full pay and 26 weeks' half pay for those with more than 4 years' service.

An accident insurance policy covers employees worldwide on a 24 hour basis and provides a lump sum benefit equivalent to two years salary. A death in service benefit, equivalent to 3 years' salary, is available to members of the company pension scheme. The main fringe benefit is a company car for managers in grades 10 and 11. There is also a sports and social club for a nominal membership subscription and the Company has a number of privilege customer schemes including one for health care, mortgages and personal loans.

A1.3 Hours of work

The normal working week for all employees is 37.5 hours. Actual hours worked each day may vary depending on job and department. There is a formal flexitime system in operation which permits employees to carry a credit/debt of 7 hours in a four week settlement period and covers 800 employees. There are about 30 part-timers and job sharers (2.5% of the workforce), and these working-time arrangements are increasing. Part-timers are scattered through the grades, including senior management and junior production workers. Most part-timers are women, but some are older men working in the warehouse who were originally recruited as temporary workers to cover a daily 3 hour peak demand connected with courier activities.

A1.4 Maternity leave and other family leave arrangements

Both full- and part-timers are entitled to maternity leave and the right to return if they have completed two years' continuous service by the beginning of the eleventh week before the expected birth date. Holiday entitlement is calculated on a pro-rata basis for each completed month prior to and after maternity leave.

After two years' continuous service up to four days' paid paternity leave may be granted, to be taken within three months of the birth of the child. A period of extended unpaid family responsibility leave may be applied for, either as a short career break or as extended maternity leave. This must be agreed with the appropriate line manager. Employees taking unpaid family responsibility leave are overwhelmingly female.

A1.5 Annual leave

Employees are entitled to 25 working days including three to be taken for the Christmas and New Year break. In addition there are 8 paid public holidays a year. After 10 years' service an extra 8 weeks' extra holiday may be granted in the 12 months preceding the date of retirement and in addition to the annual holiday entitlement. This retirement holiday can be taken in a variety of ways, for example to gradually reduce the working week in the lead up to retirement. This entitlement does not apply to those members of staff retiring before their normal retirement date.

11 Women's Pay in Banking in the United Kingdom: Case Study of XYZ Bank

Marilyn Carroll and Jill Rubery

11.1. INTRODUCTION

The banking industry in the UK has, for many years, been a major employer of women. The Banking, Insurance and Finance Union reports that female employment grew very rapidly during the 1960s and 1970s, so that by 1980 there were three women for every two men in banking. Although the banks, in common with many other organizations, used to be overtly discriminatory with regard to female employment – for example, there were inferior pay structures for women, and it was assumed that they would leave their jobs on marriage – discriminatory practices disappeared in the 1970s. The banks formally adopted practices which were supposed to provide equality of opportunity for all their employees. However, despite some increases in the number of women reaching managerial and supervisory positions, Morris (1986) reported that the banks still displayed the characteristics of a segregated employment structure, with the majority in the lower grades being women and the majority of managers being men. This report examines the current situation.

The first section looks at the industrial relations, labour market and business backgrounds against which the UK's clearing banks have developed their current employment structures. The next section outlines the terms and conditions, including pay and grading structures, which apply to employees of one of the main clearing banks (referred to throughout this report as XYZ Bank). The final section presents data which have been obtained on the relative position of men and women employed in one of the Bank's geographical regions, and two typical branches within that region.