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Individual Employee Voice: Renegotiation and Performance Management in Public Services

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Abstract
Periodically, the 'zone of acceptance' within which management may use its authority to direct employees' work needs to be adapted to the changing needs of organisations. This article focuses especially on the non-codified elements of employees' work, such as those commonly the subject of 'psychological contracts', and considers the role of individual employee voice in the process of adaptation, and how it relates to more familiar forms of collective employee voice. It is argued that the process can be analysed as a form of integrative bargaining, and applies the framework from Walton and McKersie. Employee voice enters into this process by virtue of consideration of the respective goals and preferences of both parties. The element of employee voice may be very weak when new work goals and priorities are imposed unilaterally by management, and they may be strong when full consideration is given to the changing needs of both parties. Two examples from work on performance management in the public services are used to illustrate these processes. The article concludes with a discussion of the ways in which collective employee voice may help to reinforce individual level integrative negotiation. The article seeks to contribute to the recent work on why employers choose employee voice mechanisms by broadening the range of policies that should be taken into account, and in particular looking at the potential of performance management as one such form.

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1. Introduction

At the heart of the employment relationship lies a 'zone of acceptance' within which employees agree to let management direct their labour. This may relate to the range of tasks that employees are willing to undertake at management's direction, but it may also include the priority to be accorded to different types of work, and the willingness to vary working time according to management's requirements. Depending on how large this zone is, and how its boundaries are drawn, it provides organisations with varying degrees of flexibility to respond to changing production and market requirements (Simon, 1951). As Williamson (1975) and others point out, much of this flexibility derives from the ability to function without having to codify work obligations precisely. Nevertheless, from time to time, the boundaries need to be revised, a point emphasised by Denise Rousseau (1995) in her treatment of strategies to change the 'psychological contract'. For her, organisations can induce change by communicating with their employees in order to revise their beliefs and expectations concerning the 'deal' implicit in the psychological contract[1]. This is an important observation. However, it underplays the economic nature of the exchange involved in the supply of labour services.

Employment is both a psychological relationship, and an economic one. Its contractual form is chosen from among a range of alternative ways of organising transactions, such as independent self-employment, according to the mutual interests of the parties involved (Williamson, 1985). Its economic basis has important implications for how we think about employee voice in relation to changing, or renegotiating, the zone of acceptance, as it does concerning the relationship between voice in the individual-level and collective negotiations with management. Whereas Rousseau's psychological contract is in essence a belief held by employees, and is asymmetrical because logically organisations do not have beliefs (Boxall and Purcell 2003), a transactional approach is symmetrical, and emphasises

[1] . Although other writers on the psychological contract have adopted a more symmetrical approach, so that both employees and their organisations can be party to such a contract, Rousseau's view has predominated in empirical research since the publication of her key studies (see Conway and Briner, 2006, and Cullinane and Dundon, 2006).

the importance of give and take by both parties. Although the transactional approach also gives a large role to informal rules and to custom, it places greater emphasis on the idea of there being, to varying degrees, a negotiated order in the workplace, such as that observed by Ram et al. (2001), and by Brown (1973). By looking at employee voice within performance management, this essay seeks to extend the range of voice mechanisms between which organisations may choose, and so contribute to the analysis of why employers choose particular forms of employee voice (see Willman et al 2006). Performance management, that is a combination of employee goal setting, and appraisal, frequently underpinned by performance related pay, is now widely used in British public sector organisations, as it is in the private sector, and it has attracted increasing interest within public management across the OECD countries (see OECD, 2005). More generally, according to the 2004 Workplace Employment Relations Survey, appraisals now constitute one of the 'main tools for evaluating and managing employee performance' with two thirds of all British workplaces with 10 or more employees using them for most of their staff, with the proportions somewhat higher in the public than in the private sectors (Kersley et al 2006: 87).

The strategy of this paper is to analyse the individual-level renegotiation of the zone of acceptance by means of performance management as a form of integrative bargaining, drawing on the work of Walton and McKersie (1965). In this process, the quality of integrative bargaining is a critical variable. At one extreme, when of poor quality, and close to imposition by one side on the other, it is likely that the outcome has to be based more on compliance than freely given consent, so that motivational outcomes will be correspondingly weaker, and management will have to rely more heavily on monitoring and control mechanisms to ensure its desired performance patterns. This approach, it will be argued, enables one to consider the corresponding role of collective voice at the enterprise and industry levels. Although the zone of acceptance can be negotiated simply between individual employees and their managers, collective voice can make three major contributions to reinforce this process. It can take key distributional elements out of bargaining so that the individual level can focus more on the 'win-win' aspects of integrative negotiation; it can help improve the design of systems and it can enhance their procedural justice. These are examined in section 3. In this way, the article hopes to contribute to the analysis of individual employee voice within organisations. The analysis

will be supported by illustrations based on the work at the Centre for Economic Performance (CEP) on performance management.[2]

2. Integrative bargaining and renegotiation of the 'zone of acceptance'

A key insight from the work on the psychological contract is to give substance to the processes involved in the adaptation of individual employees' work obligations. For Rousseau (1995), organisations need employee consent in order to adapt the scope of the zone of acceptance to their changing needs, and to achieve that they need to reshape employee perceptions of the 'deal' they have with their organisation. She suggests that sometimes this can be by 'drift', the gradual change over time of job contents and employee perceptions of their jobs as organisations change, but management may not always control this process as their errors of omission as much as actual decisions can shape what comes to be expected, in a similar manner to the evolution of workplace 'custom and practice' (e.g. Brown 1973). However, management may also assume a more active role in trying to get employees to reframe their view of the contract by emphasising the changing demands on the organisation, which they can do by communication, consultation, involvement, and performance appraisal. The last of these was stressed as a means of controlling drift (Rousseau 1995: 178). Negotiation is not mentioned. Rousseau's emphasis on the former kinds of policies may be in part the result of addressing a predominantly managerial audience, in which most managers do not deal with unions. But it is also the result of treating the psychological contract itself as a set of beliefs or expectations, rather than focusing on the nature of the transaction itself.[3]

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[2]. The CEP's work on performance pay comprises studies of the Inland Revenue (Marsden and Richardson 1994), the civil service, hospitals and for head teachers by Marsden and French (1998) and more recently of classroom teachers, see Marsden and Belfield (2005 and 2006). The first studies were cross-sectional surveys of employee attitudes to and beliefs about their schemes. The school teachers' one is a panel study started in 2000 just before the implementation of the new system of performance management, and followed up in 2001 and 2004. The latter study links replies of classroom and head teachers in the same schools, and combines these school performance data.

[3]. Conway and Briner (2006) consider three strategies for change: unilateral imposition by management, communication, and negotiation. They stress that work on these strategies is still at a

As is well known, Walton and McKersie distinguish 'integrative' from 'distributive' bargaining, the latter focusing on relative shares of the pie, whereas the former focuses on agreeing the means to increase its size. They distinguish four stages or components of integrative bargaining: identifying the problem, searching for alternative solutions, selecting the best alternative, and commitment to implementation. Whereas the first two may seem relatively technical, the third, selection, involves also reference to the respective preferences of the two parties, or as the two authors stress, to their utility functions. The final one, brings us back to the issue of re-contracting and delivery by both parties, and hence of future credibility in any negotiation. Many of the examples Rousseau discusses in her chapter focus on the first component, identifying the problem, as a means of reframing employee expectations. Others, such as employee involvement may cover searching for alternatives (e.g. Rousseau, 1995: 156), but selection and implementation are very much within management's bailiwick. It is surely significant that, in many of the examples she gives, management places great store on the idea that although external conditions and job content have changed, the spirit of the contract has not. In other words, there is no need to renegotiate the terms of employment that had been agreed to on hiring.

The third stage of integrative bargaining is particularly important for revisions of the zone of acceptance because it takes account of the preferences of both parties. This is both the justification for referring to the process as one of negotiation, by which the relative strengths of the preferences are revealed, and an essential basis for commitment by both parties to the solution adopted. One can imagine that the latter two stages will assume greater importance the more management depends upon the knowledge and expertise of its employees. Indeed, the greater the knowledge asymmetry, the harder it is for management, on its own, to master even the first two stages: identify the problem and evaluate alternative solutions. Even when promoted from the ranks, managers' technical knowledge can date quite rapidly, so that they become more dependent on those whose work they direct. The third stage also introduces the notion that the agreed solution may require compromise by both parties. As the solution adopted reflects the objectives and preferences of both parties,

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preliminary stage, nevertheless, negotiation of psychological contracts raises some theoretical difficulties because it is not clear how one can negotiate over changes in beliefs.

one can expect it to be better adhered to that if it had been imposed unilaterally by management.

2.1 Two examples of changing the zone of acceptance

To bring out the potential role of individual integrative bargaining in changing the zone of acceptance, it is helpful to consider two examples, both of which are drawn from the CEP's work on performance management in the British public services. The first case looks at changes in the zone acceptance for teachers, notably in relation to the priorities they accord to teaching test and non-test elements of their subjects. The second examines changes in the scope of the zone of acceptance in one hospital, to promote more flexible working of unsocial hours in order to provide better continuity of care for patients. In both cases, performance management provides a forum within which management can discuss issues related to the zone of acceptance with individual employees, and agree on some adaptation. Teachers illustrate the case for a highly skilled group of employees, whereas the hospital case covers a wider range of skills, excluding doctors, but including low-skilled employees.

Education

School teachers belong to a group of employees who exercise a high level of expertise in their work, particularly with regard to their subject and its teaching methods, so there is an asymmetry of knowledge between staff and management. Moreover, the nature of teachers' work is imprecise, in the sense that there is no fixed set of procedures that lead to a specific result, and which can be easily monitored (Murnane and Cohen, 1986), so that simple monitoring and control by management will be costly. Hence, the key to managing their zone of acceptance will lie mostly in the way their work priorities are determined.

Recent changes in management of the school system have profoundly altered the pressures on schools and their managers both financially and in terms of the pressures to obtain good pupil exam results. The latter are made public in educational 'league tables', and frequently influence parental choice. Schools now operate in a 'quasi market', and those which fail to attract sufficient students will see their student numbers and income fall (Glennerster 2002). Thus one can expect a clash between teachers' preferences to provide a broad education for their students, 'educating tomorrow's citizens', and the pressures on head teachers to reorient priorities in the classroom towards higher student attainments in

national examinations, which is seen by some as demanding that teachers 'teach to the test'. In terms of psychological contract theory, this would be a classic case of potential 'breach', and the response would be for management to reframe the contract, possibly by informing teachers of the relatively higher levels of pupil attainments in other local schools, and in other regions of the world, such as East Asia. In contrast, approaching the process from the point of view of integrative bargaining, one would look for evidence of steps to reconcile differences in priorities between classroom and head teachers and signs of a process of compromise. This appears to have happened in a significant number of schools, between a quarter and a third, which have successfully implemented the new system of performance management for schools (see Marsden and Belfield, 2006). The negotiation of change in the teachers' zone of acceptance in these schools is explained below using a simple diagrammatic presentation of some of the options and how the compromise could be reached.

Before the current management reforms in schools, there was a broad consensus in schools about the goals of education in schools, and about the desirable balance between education in the wider sense, and the exam results that help former students get jobs. This is not surprising because most head teachers start their careers in the classroom. However, the development of the quasi market in which schools have to attract students has increased the pressure on schools, and on their management, to do more to ensure good exam results. About half of the schools responding reported that, in response to 'league table' pressures, they had directed more resources towards subjects covered by tests, towards increased academic content of courses, and towards teaching test-taking skills. Given that the largest single resource at the school's disposal is the time of its classroom teachers, this implies redirecting their time allocation and their classroom priorities. Such a change of priorities has to involve the active agreement of classroom teachers. School management is unlikely to succeed in imposing such changes top-down because it cannot easily monitor fine grain reallocation of time between classroom activities. Often it is not in a position to do so because it lacks the necessary knowledge of subject matter and relevant teaching methods, a point acknowledged by the school inspectorate in its study of performance appraisal in schools (Ofsted, 1996 §15), and because of the lack of a clear relationship between teachers' efforts and exam outcomes, the 'imprecise' nature of teachers' work. For all these reasons, new objectives that are not accepted by classroom teachers are likely to remain a fiction in the classroom.

Figure 1 provides a simple diagrammatic example to bring out key features of the renegotiation, and in particular the likely choices of pay-offs associated with different conditions. In the left hand panel of Figure 1, the teachers' initial time budget is shown by line AB. At point A, all hours are devoted to teaching 'test elements' in the subject, and at point B, all hours are devoted to 'non test' elements. Most teachers recognise the need for a balance, and let us suppose this is given at point X, with equal amounts of time devoted to test elements and to wider aspects of the subject matter. Under the pressure from league tables, and government exhortation to raise exam attainments, the school's management want to shift the balance towards test elements, and to move, say, to point X', with h_1 hours devoted to test teaching. The classroom teachers' utility function is shown by contour lines S_{-1} and S_0. These represent the satisfaction they get from giving what they feel is a good education to their students. This rises as we move north east from the origin. At point X, classroom teachers feel they are giving the right balance for a good education, but in their view, the new allocation of their time to test elements is inferior. A simple bargaining compromise, half-way between X and X', might seem an obvious solution, but the risk is that neither side will be happy, and for the reasons above, even that may prove hard for management to enforce. The outcome looks very similar to distributive bargaining, except that instead of pay, the parties are compromising on the satisfaction of running a successful school, and that of providing students with a balanced education.

Such a solution misses the problem-solving dimension of integrative bargaining, shown in the right hand panel of Figure 1. Are there resources the school's management could apply in order to ease the time budget constraint? If teachers were to spend less time in 'stationery management' and other peripheral activities, they would have more time to devote to classroom teaching. Similarly, if the school could provide extra support and professional development, then teachers may be able to teach both elements more effectively. Marsden and Belfield (2006) found that many schools used performance management in order to identify organisational support that could be given to teachers, such as easing difficult workloads, providing professional development, and addressing morale problems. For simplicity, the right hand panel focuses simply on the release of teaching time from other activities in order to respect classroom teachers' views on balance, and the head teacher's need for improved attainments. In the first instance, let us suppose this is done unconditionally, leaving teachers to use their time as they prefer. This would be equivalent

to moving the time budget outwards from AB to CD. Left to their own priorities, classroom teachers would maintain the same relative balance, and move to point Y. The school would get h_2 hours on test elements, but still fall short of its target of h_1 hours. In contrast, if the school were to tie use of the extra teaching hours to test elements, then it could move to point Z, achieving its target of h_1 hours, while at the same time asking the classroom teachers to make a much smaller adjustment in their teaching of non-test elements. In the case of schools, there are two additional inducements for teachers: first, they also share in the success of their school and benefit from the extra resources that flow from additional students; and secondly, performance management also brings performance pay, which is an additional measure of organisational support the school can provide to those who work with it to achieve its goals.

This example illustrates all four stages of integrative bargaining: understanding the problem facing schools, searching for possible solutions; selecting the best option, with reference to each party's own objectives; and agreeing on implementation. In this case, the teachers' zone of acceptance, understood in this case in relation to the priorities attached to different parts of their work, has been altered, and it has been achieved through a process of integrative negotiation.

Given the problems of monitoring mentioned earlier, one might ask how management could make this agreement stick. Part of the answer lies in the integrative negotiation itself, and its search for a solution that fits as far as possible with the objectives of both parties. Part no doubt also comes from peer pressures from other teachers engaged in the same process, and who feel that the objectives of their own agreements would be jeopardised by colleagues who backslide. One piece of evidence that these agreements did stick where integrative bargaining underpinned performance management is that the schools which appeared to practice it most systematically tended to see their pupil attainments rising faster than the average (Marsden and Belfield 2006).

Another question relates to whether this should take place at the individual, the school or the national level. The national level makes little sense because it cannot deal with the detailed nature of teachers' work activities, and by its very nature, the zone of acceptance is informal, and would lose much of its flexibility if it were codified into a national agreement. Conceivably, in a small school or one with a very high level of cohesiveness

among its teachers, it could take place at school level for all teachers simultaneously. However, the zone of acceptance really goes to the core of the authority relationship, and therefore it is often best to address it by means of individual level negotiation between employees and their line managers. Moreover, although the technical aspects of the search for solutions may be public knowledge, the preferences of the two parties and their respective strengths are only discovered in the process of negotiation when people are faced with real rather than theoretical choices.

There are several hooks between this process and the collective level, which will be explored in section 3. These concern the design and establishment of a framework within which such negotiation may take place, and its degree of procedural justice. In the case of many schools, this has been provided by the new system of performance management established in 2000, although it should be stressed that not all schools have taken this opportunity (Marsden and Belfield, 2006). They also concern institutional resources, legal and collective, that build people's confidence that the negotiation will be in good faith.

Health care

A second example of how the zone of acceptance can be adapted by a form of individual level integrative bargaining within performance management is provided by hospital staff, covering employees with a wider range of skill levels than in the case of teachers, thus extending the argument beyond highly skilled categories. It draws on one of the NHS hospital trusts studied by Marsden and French (1998), and which was one of the small number of trusts to adopt performance pay when they moved to local pay determination in the mid-1990s. As in schools, the basic framework was set up by management, and through the appraisal and goal-setting process, it provides scope for individual negotiation of the integrative kind.[4]

[4] . The hospital was an NHS trust providing general and acute care services. It introduced its performance bonus system and performance management as part of the move to local pay determination in January 1994. Management implemented the new pay system. For current staff, the move to the new system from the established Whitley pay scales and conditions was voluntary. The move was compulsory for new hires and those promoted. Although implemented by management, at the time of Marsden and French's survey, the scheme was operated in close consultation with the trade unions, and there was a grievance procedure. The authors presented their findings to a joint seminar of management and staff representatives. At the time of the survey,

One of the aims of the performance management system had been to support more flexible work patterns such as those required for multi-skilled care teams. These were felt to be were better adapted to the unpredictable timing of patients' needs, and an essential component of a more patient-centred approach. A key obstacle was that different categories of staff had their zones of acceptance drawn in different ways and supported by different principles, and there was a special problem in relation to management's discretion to use staff time. One example, given by the HR Director who had introduced performance management, was that some categories of nurses worked continuously all week, such as ward nurses, whereas others, such as physiotherapists, worked Monday to Friday, with premium payments for working overtime and unsocial hours. This made it difficult to organise teams to provide continuity of care because the unsocial hours for the latter category were more expensive. Similar concerns were raised at the time by the Nurses' Pay Review Body,[5] and indeed were acknowledged by staff at the hospital.

Part of the solution to this problem involved harmonising the pay system so that it supported compatible zones of acceptance for both categories of staff so that multi-skilled teams could operate more effectively. Thus the trust's new pay system scrapped payment of special allowances for unsocial hours, in return for adjustments to basic pay and the introduction of a performance bonus whose absolute size was determined by how well the hospital achieved its objectives, and which was payable to satisfactory and good performers. A protocol for withholding all or part of the bonus included criteria such as persistent short-term absence, persistent lateness or poor time keeping, and persistent errors, omissions or mistakes. Clearly, the first three of these would interfere with the smooth operation of team-working and continuity of care. Such relatively objective criteria were chosen so as to avoid any direct link between performance pay, and goal-setting and appraisal. Disputes could be dealt with by the hospital's existing grievance procedure. Thus one element of renegotiation came with the choice of whether to opt into the new system or to remain on the national 'Whitley' pay scales.

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in summer 1996, a little over half of non-medical staff were on local, trust, contracts. The scheme was designed to be cost neutral.

[5] Nurses' Pay Review Body Report 1995 (§64 and §67).

For the present argument, the more important element lay in the parallel development of performance appraisal and goal setting. This applied to all staff, whereas the performance bonus was payable only to those on the new pay scales. As described in management documents, performance management comprised clarifying work roles, setting goals, planning personal development and regular reviewing. Managers and staff were encouraged to discuss the purpose of the job, its main activities, responsibilities, resources and so on, and whether the job description needed revision. They were also encouraged to 'jointly develop, goals, tasks or objectives' which facilitate achievement of the job's purpose, and to establish a personal development plan. Bearing in mind the number of staff who would be less qualified than teachers and enjoy less autonomy in their jobs, one can nevertheless identify elements of integrative bargaining in this case as well. The parties consider the purpose of the job and its contribution to the objectives of the hospital, which are underlined by the hospital-wide performance bonus; they discuss options, and agree to objectives for the coming period, and agree to the provision of organisational support such as skill development. Performance management provided the hospital's managers with the means to discuss how greater team working and more flexible time use would affect individual work roles, and to discuss and evaluate how they were bedding down. Some of this could be done in groups, but some elements of individual employees' work patterns are better discussed in a one-to-one environment. This might be particularly so in cases where team-working and continuity of care conflict with employees' external obligations, such as might manifest themselves in problems of absenteeism and time-keeping – potential conditions for withholding the bonus.

The old system of special payments for unsocial and overtime hours gave the employer some flexibility to vary working time, while protecting employees against unreasonable variations in their workloads. It is an example of the benchmarks signalling the boundaries of the employee's zone of acceptance. The rules are clear and unambiguous, and can be enforced easily even in low-trust work environments. Nevertheless, it frequently conflicts with team working, such as in this case. The unsocial hours model is illustrated in the left hand panel of Figure 2 which is adapted from the standard analysis of overtime working (e.g. Hamermesh and Rees, 1993). The total hours available in a given week from the 'representative employee' are shown on the horizontal axis. Weekly wages are shown on the vertical axis, starting at the 'reservation wage', below which the employee would

choose to work elsewhere, and so supply no hours. The employee satisfaction curves show the trade offs between hours worked and weekly pay that give the employee the same level of satisfaction. When offered the basic hourly rate, he or she is willing to work 37 hours (point C), but would be willing to provide additional overtime hours and move to point E if requested by the employer, as shown by the movement onto a higher curve (S_1). Working additional hours, at premium rates, has to be agreed with the employee. In this particular case, the employee's zone of acceptance is made variable by the offer of additional pay for the extra duties.

The new system avoids the rigid division between unsocial, overtime, and normal hours, and supports the greater flexibility of labour use that management were seeking. The right hand panel of Figure 2 seeks to represent the thinking behind the performance bonus and performance management, as explained by the hospital's HR Director. It superimposes the graphs of the old and new systems. Line AD shows the new average weekly earnings over a period of time, including the performance bonus, and line AF shows the same figure without the bonus. Average earnings with the bonus were pitched above the old weekly wage without overtime in order to attract employees to switch to the new system, the switch being voluntary for incumbent employees, and to compensate them for increased variability in their working time, which equates to an enlarged zone of acceptance. Under the new system, employees had two options if they joined the new scheme. They could choose to work more flexibly with slightly longer average hours, and get the bonus, or they could choose not to cooperate, such as might be revealed in persistent absence and poor time-keeping, and risk having the bonus withdrawn. In the latter case, management's wishes could also be supported by peer group pressures, especially in the light of greater appreciation of the trust's objectives that the bonus and performance management were intended to promote.

Within the new system, by drawing on evidence on the conduct of reviews from the surveys by Marsden and French (1998), one can see elements of individual-level integrative negotiation. Unfortunately, being a survey of performance pay, it tapped into the more general aspects of work roles and objectives that relate to the zone of acceptance rather than specifically to the hours dimension. The performance reviews were designed to discuss individual and organisational objectives, and over a third of the staff responding said that their reviews had increased their awareness of the trust's objectives. This probably

understates the full extent of discussion of trust objectives because about 20% replied that they were already aware of the trust's objectives before their review[6]. This is essentially a measure of stage one of integrative negotiation: identifying the problem, and would provide an essential background to a dialogue with individual employees of the organisation's need for greater job level flexibility, and how their jobs contribute to this in a practical way. Stages two and three, on discussion of alternatives and selection of the best, are signalled by positive responses to questions on the discussion and clarification of work roles, identification of objectives and training needs, which was the case for over 70% of respondents who had had their performance review. The survey did not explicitly probe elements of give and take within the reviews such as might have signalled individual level negotiation, apart from the question on training, which indicates consideration of measures of organisational support. Nevertheless, respondents were also asked whether their review had been supportive, threatening, irrelevant or superficial. It could have been threatening if management had sought to impose targets unilaterally, which was the case for only 10% of replies, or it might have been deemed superficial or irrelevant if treated purely as a form-filling exercise, respectively 25% and 13% of respondents. Perhaps one of the strongest signs that something significant was taking place in the reviews was that 70% of staff who had not had reviews in the past year said they wanted one. For the fourth stage, commitment to a course of action, again there is no direct indicator, except that 90% of those who had had a review thought they were capable of achieving their current targets and objectives – they would have been unlikely to agree to objectives they felt they could not achieve, unless under duress, and as mentioned, only 10% felt the reviews threatening.

These two examples, from education and health care, were chosen to illustrate how performance management can provide a forum for integrative negotiation between line managers and individual staff about issues relating to the zone of acceptance in their jobs. As stressed by many observers, this zone is the key to the flexibility that employers gain from hiring people as employees instead of, for example, as self-employed contractors. Its attractiveness lies in the fact that it is informal, and does not need to be codified, although this makes it hard to deal with by more formal mechanisms such as employment law and

[6] The percentages cited in the text on these questions are higher than those published in the appendix of Marsden and French (1998) because they exclude those who had not had their performance review and so could not report about their direct personal experience.

collective agreements. On the other hand, if it is informal, then it can be hard for organisations to orchestrate systematic changes in the zone of acceptance across many employees in order to establish new ways of working. In this respect, performance management is one means by which management can achieve a coordinated dialogue with individual employees across an organisation. As can be seen from the evidence of these two case studies, PM is capable of focusing on these issues, and of approaching them as a form of integrative negotiation. From this, it derives much of its legitimacy in the eyes of employees, and hence the positive assessments by them. Nevertheless, the cases also show a considerable range of effectiveness, from what look like attempts at top-down imposition of goals to a real two-way discussion and problem-solving. Along this scale, there is a corresponding variation in the strength of employee voice. The next part of this paper looks at the relationship between such individual level instances of employee voice and its more familiar collective manifestations.

3. Role of Collective Representation: Managing the Link with Distributional Issues

The potential support collective voice can offer to employee-level integrative bargaining may be considered from three angles: the separation of distributive from integrative issues; the design of integrative processes such as in performance management; and improving procedural justice.

It is clear from Walton and McKersie's emphasis on the parties' respective objectives and preferences, that both the integrative and distributive forms are instances of bargaining, and that the boundary is a matter of choice. A well-known example is given by Freeman and Lazear's (1995) study of integrative bargaining by German works councils. They show that their cooperation with management is greatly enhanced when distributional issues are taken out of their remit and handed over to industry unions. In terms of the two case studies in this article, the operation of performance management arguably was assisted by the separation of major distributive issues. In the hospital case, the HR Director had opted for a trust-wide bonus instead of individual performance pay in order to enable appraisal and goal setting to concentrate on problem-solving issues. In this case, it was a management

choice. In schools, the reduction in the prominence of pay in performance management, largely by reducing the degree of selectivity, came under pressure from classroom, head teachers, and their respective associations.

Collective representation can play a key part in the design of performance management systems so that they will engage employees. In the two case studies, management needed to know what designs and what levels of reward would be needed in order to attract employees into their respective schemes. The decision was all the more critical because management had to get the broad design right first time. If standards are too generous, it is usually costly to buy them out later, and if terms are not sufficiently attractive, too few staff will show any interest. The problem highlighted by the integrative bargaining approach is that management needs to discover the preferences and objectives of its staff. In terms of Figures 1 and 2, it needs to know their utility functions if it is to obtain the response it desires: a sufficient number of hours devoted to teaching test elements, and sufficient flexibility in working time to support effective operation of care teams.

The question is how should management obtain this information? Here surely there is a role for collective voice, because individual teachers and hospital staff often find it difficult to articulate their preferences, and to relate them to those of their work colleagues. Management needs to discover not only what individual staff want, but it also needs the bigger picture across all staff so that the best judgement can be made for the design of a model which will apply across the organisation.

Negotiation with employee representatives has a number of distinct advantages. Even though they may not be much better informed initially than management, they have methods of consultation with those they represent, and they can organise a debate in which their members become better acquainted with the issues, and the likely implications for their work. The members themselves can also work out which scenarios are realistic, and discover how their own views relate to those of their colleagues: what is the general feeling about more flexible working time, or about the balance between test and non-test elements? The negotiation is a learning process for all parties involved. Because the process runs over a period of time, management can float ideas and learn about staff reactions, and the new system can be refined and adapted before its final implementation.

The introduction and adaptation of performance management for teachers provides a good illustration of this process. Perhaps unusually, the system was introduced progressively from 2000, with teachers being concerned only with progression onto the first step of the new system in 2000-01, and questions about further progression up their new pay scale and the link with performance being left until later. No one would be eligible for further movement until after 2001. That left time for further discussion of the scheme's design. Two points in particular had generated a lot of concern at the time of initial implementation: how the element of pupil progress in appraisals should be handled, and whether the performance criteria for movement up the new performance-related pay scale should be broad and open to everyone capable, or whether they should be increasingly demanding at each step – whether or not progression should be 'tapered'.

The initial fear of many teachers and their unions was that 'pupil progress' would be narrowly measured by exam results so that teachers' own progression would be tied to a crude metric of this nature. Such fears were widely emphasised by the teachers' unions, and as the government rolled out the new scheme, it provided good practice illustrations of how pupils' test results could be used in a more constructive manner, such as using test results to identify problems that need attention. Given the degree of autonomy enjoyed by school-level management, and the competition to attract students, many teachers feared that, despite Education Department guidance, their own heads would tie performance management crudely to exam results. The second area of concern was that performance standards would be made increasingly demanding at each stage of progression. This was the view proposed initially by the Education Secretary. Alternatively, they could be more like a 'driving test', as one union official put it, based on a level of achievement to which all competent and conscientious teachers could aspire. Both issues were intensively debated. In the event, as shown earlier, in a great many of the schools the CEP surveyed, performance management was used supportively. On 'tapering', the unions and the Education Department reached agreement in 2004 that applied a version of the 'driving test' model, while keeping options open for a stronger degree of selectivity for entry to the top grade of classroom teachers (Marsden and Belfield 2005).

Thus, the teachers' organisations appear to have played a significant role in adapting the new framework so that it better reflected teachers' preferences, and gave rise to a system that could be more credibly and effectively operated in schools. It was more credible

because it reflected classroom and head teachers' views about the practicalities in the use of measures of classroom performance, and more effective because this then laid a basis on which new objectives could be discussed and agreed.

The third contribution of collective voice to individual level negotiation concerns the need for procedural justice if performance management is to work effectively. The damaging effects of perceived unfairness with which performance management is operated were noted by the government's Makinson Report (2000) into performance management in four large government departments and agencies. Makinson observed that although there was widespread acceptance of the principle of linking pay to performance, far higher than among teachers, there was widespread disenchantment with the way it had operated. Many staff thought that line-managers were biased in their ratings of performance, and that top management manipulated ratings in order to save money. Far from motivating staff, the systems were felt to be divisive. Key causes of perceived divisiveness in these organisations were found to lie in poor quality appraisals and goal setting, and in whether employees had sufficient scope in their jobs to improve their performance (Marsden 2004: Table 2). Poor quality appraisals and goal setting mean that employees feel they have a reduced chance of a good rating even if they perform well. Likewise, if management fails to take account of the nature of their work and the scope it offers to vary performance levels, employees will also unfairly treated. Such considerations go to the heart of concerns about procedural justice as outlined by Cropanzano and Greenberg (1997) who argue that the incentive effects of performance schemes sought by management can be undermined just as much by unfairly operated procedures as by disagreeable distributional outcomes.

For similar reasons, one can see that procedural justice is also critical for the achievement of effective agreements. If the design of goal setting and appraisal are inappropriate to the kind of jobs employees are doing, then they are likely to feel that they have little chance of a fair reward for their effort. Employees may even be reluctant to enter into the first stages of integrative negotiation if they feel that management is not acting in good faith. Likewise, if they believe that their line-managers are biased or incapable of assessing performance fairly, then they will be reluctant to accept the new terms, or if they accept them under duress, they will not commit to them, thus undermining the last of the four stages of integrative bargaining. These are all important if the outcome of renegotiation is to be mutually agreeable to both parties.

As management cannot act credibly as their own judge and jury in such cases, there is a case for supporting the renegotiation component within performance management by means of various forms of employee representation. These would relate to such issues as the adaptation of performance management to the kind of work and job roles in question, and to the actions of both line managers in setting goals and assessing performance, and the criteria for good performance. Whereas management appeared to have fallen short on many of these counts in the government departments studied by Marsden and French (1998), in the case of teachers, a greater degree of success had been achieved after four years of operation. Thus whereas the return survey of Inland Revenue staff five years after the first one showed increased negative feeling among employees, in the case of teachers, there is evidence of an increase in positive judgements of performance management by both classroom and head teachers (Marsden and Belfield 2005). A critical factor seems to be the way in which performance management has adapted to the needs of schools, something the authors found that teachers had attributed largely to the action of their associations.

Thus, although performance management can be seen as a form of employer chosen employee voice at the individual level, there is good reason to believe that its effectiveness can be enhanced by more traditional forms of collective employee voice. These can help to keep separate distributive and integrative issues, inform the design of performance management systems, and improve the procedural justice with which they operate.

4. Conclusions

This essay has sought to argue that an important part of performance management in the organisations considered here relates to the renegotiation of performance standards and work priorities among incumbent employees, and where there is sufficient employee input, it should be considered a form of employee voice. It can provide employers with a form of employee voice to deal with periodic renegotiation. As Coase (1937) argued, when employees enter an employment relationship, they agree to let management determine the content of their work only *within certain limits*. From time to time, these limits need to be updated, and given that the employment relationship is built on agreement reached in a market transaction, the logical way to change terms is also by agreement. While the theme

of contract renegotiation has been dealt with quite extensively within the Economics literature (see for example, Malcomson 1997, Teulings and Hartog 1998), its primary focus has been on pay rather than on management of the zone of acceptance.

Drawing on the classic study of labour negotiations by Walton and McKersie (1965), it has been argued that this process of renegotiation is akin to integrative bargaining, although there remains always a distributive element. The two case studies provide a concrete illustration of what constitutes this process. They showed that employees were aware of many aspects of the integrative process identified by Walton and McKersie. Comparison with the experiences the large government departments covered by Makinson's review (2000), suggests that there a larger proportion of staff experienced performance management as a top down process, even though there too it appears to have played a significant role in a renegotiation of the effort bargain. Although the case studies have focused on one-step changes, performance management may also play a longer-term role by enabling management to achieve continuous adaptation of individual employees' work priorities and work methods, thus enabling a form of continuous renegotiation.

Much of the success of this process depends upon a suitable framework at the organisational level. It has been argued that although performance management focuses on individual employees and their relationship with management, collective representation can increase transactional efficiency by helping management find the design that best fits employees' preferences and judgements. It can also support the procedural justice of its operation that is the key to continuous improvement through performance management. The evidence from the CEP studies indicates that performance management does not always succeed in fulfilling this function of renegotiation, but that it has done in a significant number of organisational units.

More generally, even though collective forms of voice have declined in their coverage in recent years, the employment relationship continues to govern the work of the great majority of employees across the OECD countries. This is based on a contract, and on an initial negotiation and agreement between employer and employee. The terms of this contract need to be periodically revised, and one can anticipate that employers will need to compensate the decline in collective voice by increased use of channels of individual voice which can support this renegotiation. Even though the case studies discussed in this essay

come from the public sector, there is little reason to expect that employees' concerns about fairness and the need for terms to be mutually acceptable should be radically different in private organisations as there is a good deal of labour mobility between the two sectors. The WERS 2004 data cited at the start showed that performance appraisal is widely used in both sectors, although the reported figures did not indicate the strength of employee voice involved.

Figure 1 Use of integrative bargaining to alter individual employees' work priorities.

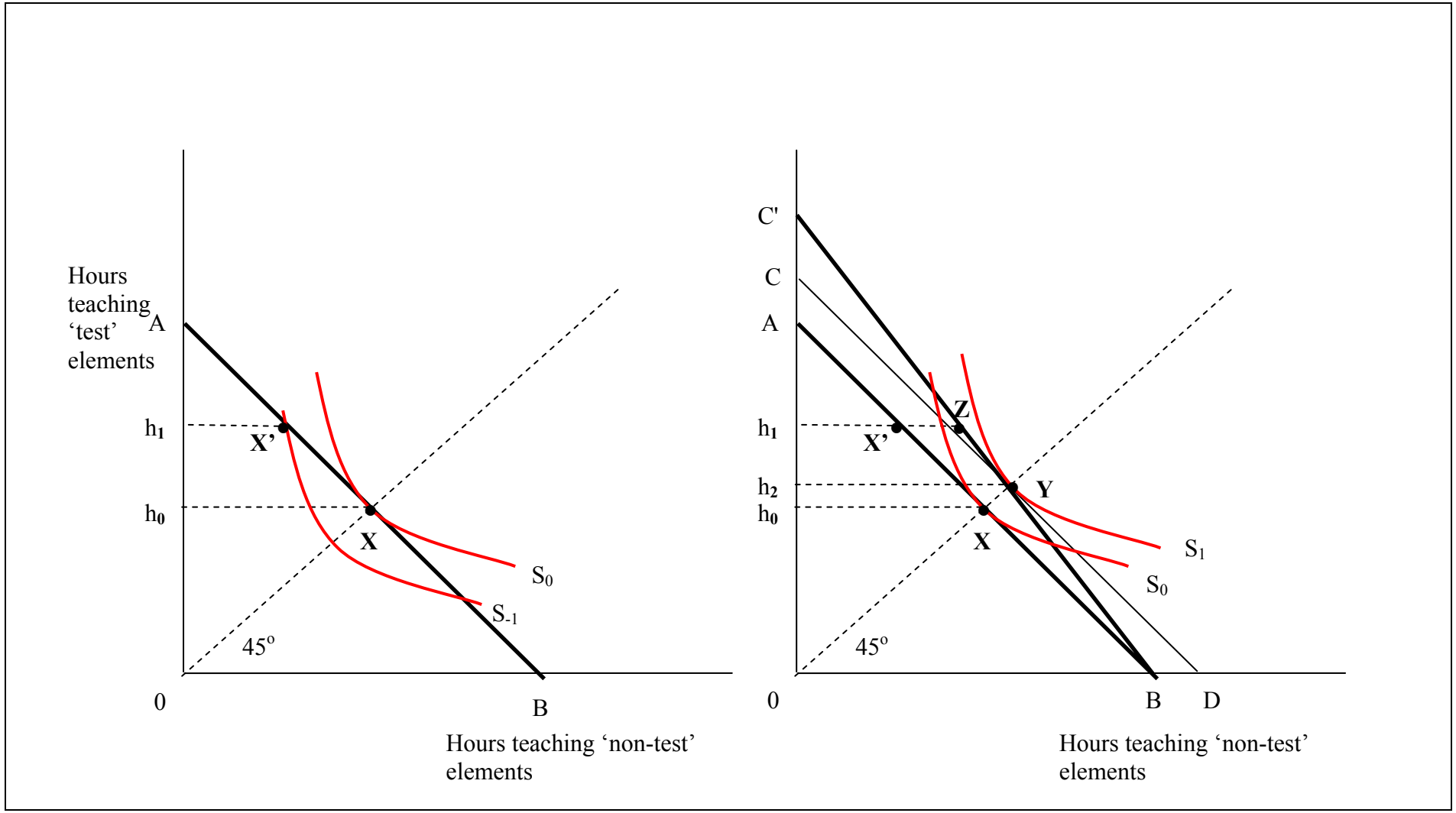
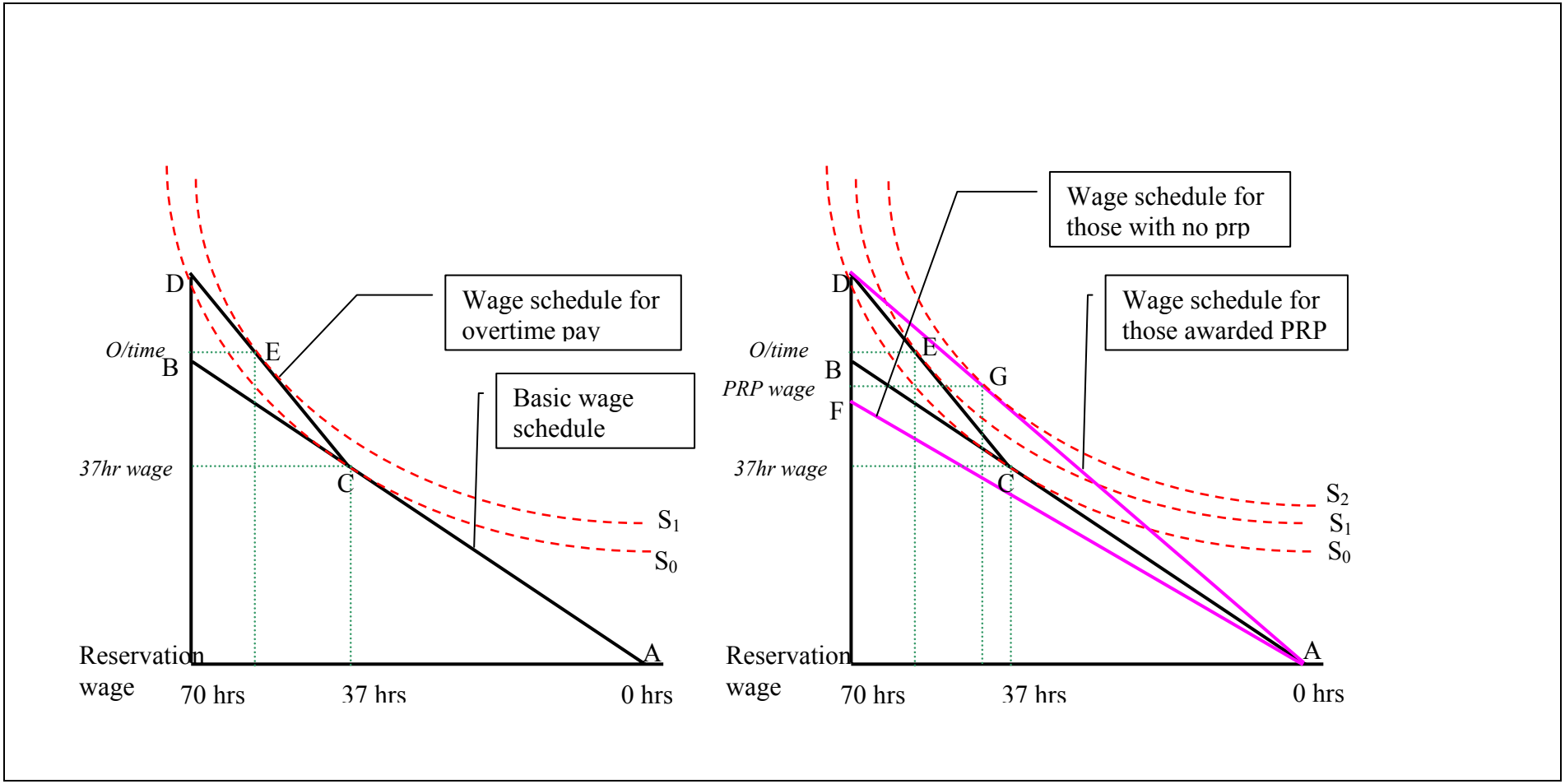


Figure 2. Use of integrative bargaining to promote flexible working



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