# Systems of Reward in Naval Dockyards

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PREFACE

The performance of Naval Dockyards has been a cause for serious concern over recent years and the subject of much debate and investigation. Dockyard output depends partly of course on the size of workforce, but to a greater extent on its effectiveness. The latter itself is dependent on a multiplicity of interrelated variables among which the management skills and motivation of junior management are considered to feature prominently.

In the work environment stimulation of motivation is a function of organisational characteristics and conditions of service amongst which pay and to a lesser extent promotion are deemed important. Recognising that there is no instant prescription for dockyard ills, this paper examines the important issues of rewards, namely pay and promotion and the problems posed in structuring them to meet the needs of the dockyards.

The proposition which the study develops is that the establishment of a clearly perceived link between effort, performance and reward is crucial for developing a high level of motivation and commitment amongst Non-Industrial grades. A questionnaire was administered with the aim of obtaining as broad a range of information as possible on pay, promotion and managerial authority and also to assess the attitude of 'white' collar employees to incentive schemes.

However, under present arrangements the management in each dockyard enjoys little authority over numbers, pay, grading, incentives and allocation of resources. This paper considers these implications and the fact that there is virtually no scope for local management to adjust pay

or promotion systems to match the characteristics of the dockyards, and relates the questionnaire findings to these existing arrangements.

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Finally to my wife, Jill, who will not be sorry to see the last of this study.

# CHAPTER 1

## SETTING THE SCENE

### Introduction

The aim of the present study is to examine the current system of pay and promotion operating for Professional and Technology Officers (P&T) grades 2, 3 and 4 in Naval dockyards and identify how these may be redesigned to improve their attractiveness and hence the performance of Non - Industrials. Material for the study is based mainly on a field study conducted amongst these grades at Rosyth Dockyard. It had also been hoped to conduct a parallel study at Chatham Dockyard, but for reasons mentioned below this did not prove feasible. A questionnaire was prepared, tested and administered to a statistically selected random sample of 385 P & T grades.

The study was conducted over a period (1980-1982) of turbulence for the dockyards, but two events in particular dominated the scene. Firstly the Dockyard Study report (1980) highlighted a deterioration in the performance of Naval Dockyards in support of the Fleet and put forward a number of recommendations designed to remedy the situation. The publication of the Dockyard Study report in August 1980 promised a new deal for the dockyards along with the Government's concomitant commitment to keep all four home dockyards open. However, before the report's recommendations had been properly absorbed, the second major event occurred. As a result of a defence review it was announced in June 1981 that Chatham dockyard would close and Portsmouth dockyard would cease refit work. (However in the last few weeks a defence white paper (1982) The Falklands Campaign, The Lessons, indicates that Portsmouth naval base will retain a limited refit capability for the foreseeable future). The June 1981 announcement had a devastating effect

on the morale of all dockyard employees, but this was replaced quickly at Rosyth with a realisation that Rosyth's future had been effectively secured.

Another feature of the present turbulence concerns the mechanism of pay determination since the context of the study also embraces the considerable dissatisfaction with existing payment systems, both as manifested at dockyard level and as part of the larger Civil Service. Also in the last few months the publication of the Megaw Inquiry into Civil Service pay (1982) raises implications for dockyards through some of the Report's recommendations on performance-related pay and the idea that market forces should influence pay levels and relationships for all civil servants. The appropriateness of Megan's recommendations will be commented on as we proceed with our examination of the issues. Indeed the recommendation on performance-related pay has direct reference to our study of rewards.

The choice of the lower P & T grades as the subjects of the study is for three reasons. Firstly it may be argued that the capacity of dockyards to refit warships to an acceptable standard and economically is heavily dependent on the skill and motivation of lower management. Secondly there is an emergent awareness among Non Industrials that the degree of authority and autonomy traditionally enjoyed by lower management in dockyards is coming under increasing pressure from both trade unions and senior management. Thirdly the selection of this particular group centres on the fact that there is a scarcity of information in the literature relating directly to issues of reward and motivation for lower management.

## Nature of the Problem

The first point to establish is the scope, nature and magnitude of the problem confronting Naval Dockyards. The symptoms are obvious, namely a failure of the dockyards to refit warships to programme and cost due to low productivity (Dockyard Study Report (1980)). Although productivity per man is difficult to measure in dockyards,(a point we shall discuss later,) there is no evidence of improvement in recent years; indeed, according to the Dockyard Study, there is every indication that it has declined. The pertinent question is what has caused this decline in productivity? Is it simply a reflection of what has been happening in some sectors of British industry or are there other factors peculiar to Naval Dockyards contributing to this decline? Before we can attempt to answer this question we need to have some idea of the factors which can or may influence the level of productive output.

The level of productive output achieved in any organisation is a function of many interrelated variables. Indeed Handy (1976) mentions over sixty different variables, among them, employee motivation, the reward system, the physical environment, group relations and the fit between the structure and the technology of the organisation. These variables are sensitive not only to mutual interaction between themselves, but to a whole host of complex cause and effect interaction with dimensions such as pay, promotion, career planning, the way work is organised and controlled and not least the attitude adopted by trade unions.

It would be unrealistic to assume that a single factor has been responsible for the decline in dockyard productivity. Nevertheless, among the variables mentioned are a number of key variables which are deemed to be major determinants of employee behaviour, for example pay, career planning and promotion and the way work is organised. The Dockyard Study (1980) in its diagnosis of the Dockyard's problem highlights

restrictive practices by Industrial grades and disenchantment by Non-Industrials as the principal reason for poor productivity, with the pay problem contributing to both these factors, but in particular it has affected the motivation of Non-Industrial grades. To this end our study will focus on the pay reward and to a lesser extent the promotion issue.

The objective will be to attempt to analyse the issue of rewards to identify the key variables involved with respect to pay and promotion so that prediction as to probable outcomes to any change to these dimensions may be made and finally to identify those variables amenable to change within defined constraints.

## Naval Dockyards

There are currently four home dockyards, but it is planned to cease refitting warships at Chatham and Portsmouth by 1984. A total of approximately 32,000 civil servants are employed in the four dockyards; it is estimated that this number will probably decrease to 23,000 by 1984, but this figure may be greater as a result of the decision to retain Portsmouth as a refit facility. The manpower strength of the four home dockyards is shown at Table 1.1 Dockyard Study (1980).

Table 1.1 Dockyard Manpower Strength

| | Portsmouth | Devonport | Chatham | Rosyth | Total |
|---|---|---|---|---|---|
| Non Industrial | 1900 | 3100 | 1700 | 1500 | 8200 |
| Industrial Craft | 2600 | 4700 | 1800 | 2000 | 11100 |
| Industrial Non Craft | 2100 | 3600 | 1800 | 1700 | 9200 |
| Apprentice | 800 | 1300 | 700 | 700 | 3500 |
| Total | 7400 | 12700 | 6000 | 5900 | 32000 |

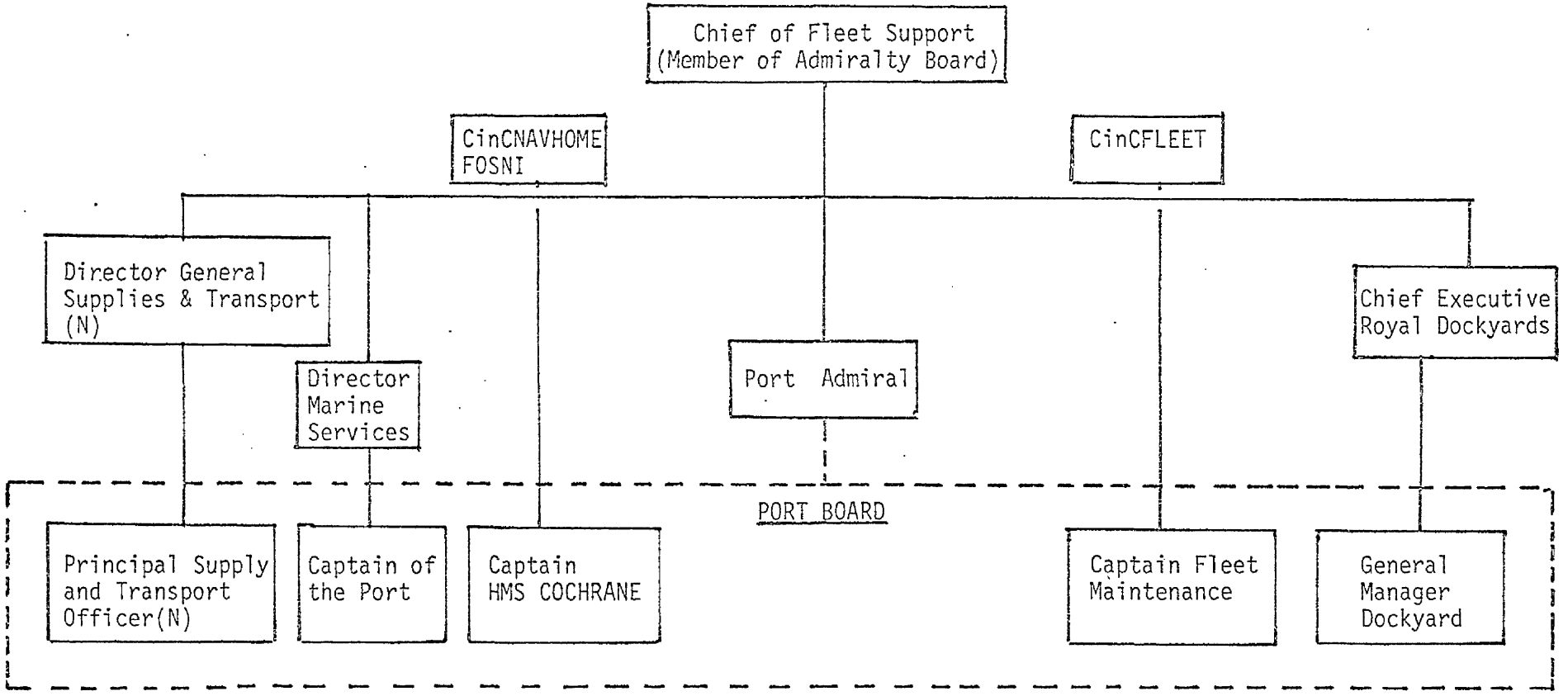
The workforce consists of two distinct groups, Non Industrial (White Collar) and Industrials (Blue Collar). The Non Industrial consist of six

occupational groups, but only one group, technical supervisor, is permitted to supervise Industrial grades directly, the other five groups carry out specialist tasks in the Dockyard. At Rosyth Dockyard there are approximately 4,400 Industrial grades and 1,490 Non Industrial. The Non Industrial group consists of the Professional & Technical (P & T), 1,190 and the Executive group make up the remainder. The P & T group exclusively occupy the first 3 tiers of the eight tier management structure with a limited number occupying posts in the fourth and fifth tiers. The top four tiers of management are filled predominantly by professional engineers from the Royal Corps of Naval Constructors (RCNC) supplemented by a small number of serving naval officers.

The dockyard organisation is an integral part of the Navy Department, the Admiralty Board member responsible for the Dockyards is the Chief of Fleet Support. He discharges his duties through the Chief Executive Dockyards (CED) who administers the four home and one remaining overseas dockyard, which is destined to close by 1984, from his headquarters at Bath. He has a central staff of approximately 400 Non-Industrials. Unlike the majority of organisations satisfying a need or providing a service the Royal Dockyards are not in any formal trading relationship with its customer, the Royal Navy.

The dockyards are a jobbing industry with an enormously varied workload. The work can vary from the modernisation of a nuclear submarine to the docking of a harbour auxiliary craft. The June 1981 Defence Review implies that a greater proportion of dockyard resources will be allocated for nuclear submarine refitting. In addition to the planned refitting work undertaken, the dockyard may be called on at any time to carry out emergency repair work which may necessitate programmed work being delayed or set aside. The nature of the work demands a high

Figure 1.2 Dockyard Port Board - Showing Members and Line Responsibilities to External Authorities



degree of management effort and a high percentage of engineering craftsmen. Indeed the ratio of skilled to other industrials excluding apprentices is 1.2 to 1, according to the Dockyard Study Report 1980.

Rosyth Dockyard

With a labour force of approximately 6,000 Rosyth dockyard is a sizeable undertaking in terms of an industrial organisation. For example there are only some 100 individual establishments in the UK manufacturing industry with more than 5,000 employees. The Dockyard is co-located in the Rosyth Naval Base with a civilian manned Naval Stores and Transport organisation employing some 1,200, a naval manned Fleet Maintenance Base which provides garage facilities for some twenty five inshore naval vessels, and a Port Auxiliary Service organisation which operates tugs and other harbour support vessels. Although each group enjoy varying degrees of autonomy, the Port Admiral who is best described as the military commander of the Naval Base is the chairman of the Port Board and in effect performs a co-ordinating function between the four organisations. The dockyard is headed by a General Manager who is professionally responsible to CED, and he is also one of the members of the Port Board. A diagram of the Naval Base management structure (Port Board) is shown at Figure 1.2.

In terms of numerical number Rosyth is almost identical to Chatham, but it is unique among the four home dockyards in that it was created from a 'Greenfield' site between 1912-15 to provide a dockyard to support the Grand Fleet. To enable the dockyard to be manned with the requisite skills quickly, a large proportion of its initial skilled labour force was drawn from the three Southern Royal Dockyards. With the rundown of the Fleet in the early 1920s Rosyth Dockyard was closed in 1924 and placed in care and maintenance until 1938.

In 1968 Rosyth Dockyard undertook the first refit of a nuclear submarine and since 1970 it has been the designated refitting dockyard for the British Strategic Deterrent submarines, Polaris. Nine major nuclear submarines refits have been completed since 1968. The fact that Rosyth has accumulated a significant reservoir of nuclear submarine refitting skills and expertise has, along with good access to the sea, assured its future. Rosyth's future has been further re-assured recently by the decision to close Chatham and to cease refit work at Portsmouth. This decision has obviously given added security to the workforce which could make changes in working practices more difficult to achieve. Indeed, the Defence Review (June 1981) may have engendered a feeling of indispensibility among the workforce.

The Local Labour Market and its Relationship to the Dockyard

Geographically Rosyth dockyard is situated on the North bank of the Forth approximately twelve miles from Edinburgh and four miles from Dunfermline. The predominant industry in the region until twenty years ago was coal mining. As the coal mines in the area became exhausted, in the late 1950s, they were shut down and although a few new mines were opened at Kincardine and Seafield coal mining can hardly be considered a major industry in the area. The rundown of the coal industry resulted in only a small influx of skilled and non-skilled Industrial grades into the Dockyard, but virtually no Non-Industrial grades.

Nowadays the majority of industry in the area is centred on modern industrial estates with electronic industries being well represented. There is little heavy engineering industry in the area apart from the Redpath de Groot Caledonian oil rig fabrication yard at Methil and a Petro-Chemical plant currently under construction at Moss Morran some five miles from Rosyth. There had been fears particularly during the

initial construction phase of Moss Morran that there would be an exodus of skilled employees, welders and pipeworkers, from the dockyard, but that did not occur. A small number of skilled men were attracted to leave, but undoubtedly the more rigorous conditions of employment compared with the dockyard coupled with a temporary recruiting ban imposed by the Civil Service and emergent uncertainty in 1980 concerning the future size and shape of Rosyth dissuaded significant numbers from leaving for higher wage rates. The fact that only a few were attracted by the opportunity to earn high pay illustrates the value that is placed on job security. In simple language, people were unwilling to leave the dockyard for fear of not getting back into the dockyard if they were made redundant. It is paradoxical that the temporary Civil Service recruiting ban has achieved more than financial inducements in retaining specialists skills in the dockyard, although undoubtedly anxiety concerning job security caused by the current recession was a significant contributory factor.

The fact that there are relatively few job opportunities for Non-Industrial technical grades in the Rosyth area is largely irrelevant because traditionally there has been little movement of personnel between the Civil Service and the private sector. Indeed the conditions of Service are designed on the assumption or more precisely, the expectation, that civil servants will spend their entire working lives in the Service; Fulton (1968) commented unfavourably on the lack of mobility between the Civil and private sectors. Agreements between Non-Industrial Trade Unions and Management reinforce the exclusiveness of the Non Industrial position and make it very difficult for dockyards to recruit Non-Industrial grades direct from industry or even ex-members of the Armed Services. The original purpose of these agreements was to protect the promotion opportunities of career or established Non-

Industrial grades, but a deleterious effect has been the suppression of any meaningful cross fertilisation between the Public and Private sector. Some Non-Industrial grades do however, get involved with private industry when they are appointed to overseeing duties, but these numbers are small.

Pay Bargaining

In recent years pay negotiations have followed national practice and have been conducted on the basis of an annual round. Annual pay increases were set and negotiated within the frame-work of the system recommended by the Priestley Commission (1955). This recommended a set of principles to govern Civil Service pay and to promote the overriding aim of an efficient and fairly remunerated Civil Service, of these:

"The primary principle for determining the pay of civil servants should be fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of other conditions of service; and that internal relativities should be used as a supplement to the principle of fair comparison - and may have to be the first consideration when outside comparisons cannot be made".

To enable the Priestley principle to be translated into practice the Pay Research Unit (PRU) was set up in 1956 to provide a fact finding service. A joint Management Non-Industrial Trade Union group was set up to commission surveys from the Unit, to specify the information required, and to ensure that the Unit was provided with the resources necessary to carry out its task. Pay research was concentrated in one 'independent body' which produced information for both parties, but was staffed almost exclusively by civil servants. The system was based on methods of pay comparison and used comparisons of total remuneration rather than simple wage rates. Although the body's findings had been temporarily suspended on occasion, it was not finally abandoned until 1981.

The PRU's reports provided the raw data on which the pay of the relevant Civil Service grades would be based. This data as it stood did not itself indicate the level of settlement; adjustments were made to take account of the value to the outside employee of such items as bonus payments, pension contributions, free or subsidised cars and subsidised meals. In addition a special adjustment was made to compensate for inflation between the time the comparisons were made and the operating date of the pay settlement.

The actual scope for negotiation was limited; small adjustments were usually made in response to considerations such as job security mobility or other wider considerations which either side wished to advance. Although these factors created opportunity for negotiation, they only marginally affected the level of the final pay settlement.

Although the Civil Service unions have in general remained committed to the structure established by Priestley, the Institution of Professional Civil Servants (IPCS) for a number of years increasingly expressed dissatisfaction with the way the system was applied to the Professional and Technology Group. The structured system of pay research created problems because different occupational groups within the Civil Service were, quite naturally, compared with different groups in industry and commerce. The net result was that those groups who were compared with engineers and technicians tended to receive less than those groups compared with administrators, accountants, etc. The emergence of horizontal differentials prompted the IPCS to seek a renegotiation of the Pay Agreement to give more priority to internal relativities and less to external comparisons. This approach was at variance with the majority of Civil Service unions who reaffirmed their belief that the starting point in any system of pay should be comparison with people doing similar jobs outside the Service.

As we have mentioned, Priestley created a number of pay problems some of which have important connotations for dockyard Non-Industrial grades. A manifestation of the application of pay research was that different occupational groups within the Civil Service were awarded different increases of pay, we shall examine some of the problems that this creates for the dockyards.

The Promotion Dimension

An effective promotion system which will reward good performance is an important prerequisite for the sustentation of any healthy organisation. The right promotion at the right time is an essential part of the process of developing to the full the talents of the individual. The promotion process is an integral part of career planning and development in any sizeable organisation.

Before proceeding it is necessary to gain some idea of the importance which is attached to promotion in the Civil Service. The Government in its evidence to Megaw 1982 gives us a useful pointer.

"The main form of reward for merit in the Civil Service has been promotion to the next grade, as and when vacancies occur and the prospect of promotion has been the main incentive for individuals to perform well in their current grade."

The inference which may be drawn from this statement is that promotion acts as a substitute for incentive payments as a method for rewarding merit in the Civil Service. This we believe provides justification for considering pay and promotion juxtaposed in the study.

The Government's view on promotion contrasts with that expounded at official training courses held locally for authors of staff reports. Teaching on these courses is inclined towards the assumption that the current system of promotion is not a reward for past endeavour. A rational explanation for this teaching has been difficult to establish

other than the desire to minimise the competitiveness inherent in any promotion system. However, a more logical explanation may be that current Government thinking on this issue has not percolated down to the dockyards.

In the majority of situations promotion is normally associated with an increase in pay and indeed this is so. Promotion engenders expectations of additional reward to the individual. Although these rewards may not necessarily be financial, it is likely that in the majority of cases financial considerations were an important factor in deciding whether or not to seek promotion. Situations can arise in the dockyard where promotion although resulting in an increase in basic salary may result in a reduction in gross earnings. This point will be examined later.

The Non-Industrial - Salary Earner

There is a whole range of sequences which distinguishes the Non-Industrial grade from the Industrial grade. But amongst the more important is the system of payment administered to each group. It is practice to refer to a Non-Industrial's pay as his salary and an Industrial's as his wage. Lupton et al (1983) states that a salary earner is typically a routine clerical worker, a technical man, a professional man (eg accountant, chartered engineer) or a manager. Leaving aside for the moment routine clerical workers who are closer to manual workers in this respect, the other groups of salary earners have expectations of advancement, based upon age, seniority, qualification, experience, performance, to higher levels of monetary reward. The wage earner's career expectationsare much more limited. Lupton further asserts the 'break' between the salary and wage earner is psychological as well as structural. A point reinforced by the traditional nomenclature

of white and blue collar workers and such things as the periodicity of payments. In the Civil Service, for example Non-Industrials are paid monthly with a few minor exceptions and Industrials weekly.

The work done by 'blue collar' workers, for the most part, tends to be easier to measure than work done by managers and professional people. However, it would not be difficult to quote examples of manual work where performance measurement is difficult, for example where jobbing activities are involved.

Although there are many psychological as well as structual sequences which distinguish Non Industrial from Industrial grades, in dockyards PTO IVs and IIIs are in a rather ambivalent position because they work alongside Industrial grades. The gulf between Non-Industrial and Industrial grades is maintained by conditions of service, custom and practice and a host of less tangible status related nuances. It is important that any new payment system for either group should be designed to lessen the distinctions between the two groups. Thus what we are advocating is that the pay system administered to each group should have high congruence.

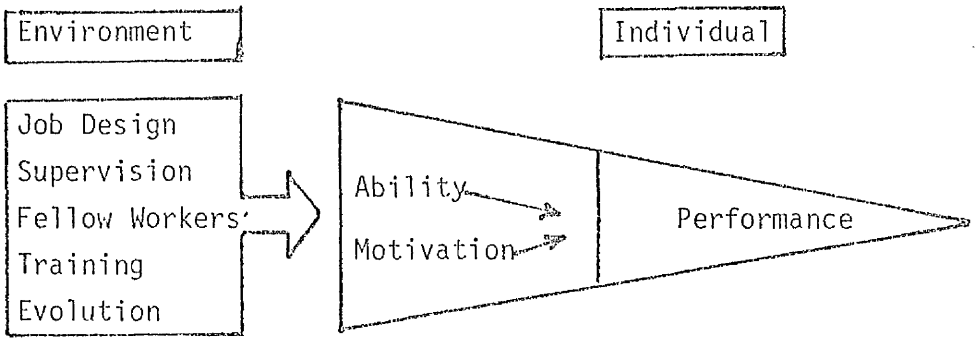
## A Theoretical Framework

In order to give the study coherence and direction it is necessary to develop a theoretical frame of reference to aid our examination of systems of reward in the dockyards. This approach is desirable so that we may gain a clear understanding of the deficiencies and weaknesses in the current systems before we can go on to outline alternative ways of structuring the pay and promotion reward. Firstly we must establish in broad terms the dimension influencing and affecting dockyard productive output. It is reasonable to assume that the productive output of any organisation is a function of individual output which is effectively a

function of individual performance. Thus we may conveneintly express the output of an organisation as Individual output or Individual performance.

Since performance is ultimately an individual phenomenon (Cummings et al 1973) environmental variables influence performance primarily through their effect on the individual determinants of performance ability and/or motivation. A general model reflecting these ideas is set out at Figure 1.3 (-Cummings et al (1973)).

Figure 1.3 Performance Model




Our starting point for the development of a suitable theoretical model is that performance is determined primarily by ability and motivation. Environmental factors, including activities that organisations may engage in to improve employee performance, have their impact, if any, on ability and motivation. We can differentiate between ability and motivation on the following basis. Ability reflects capability, a relatively stable characteristic which enables individuals to behave in some specified fashion. Motivation on the other hand reflects effort, a dynamic, often transient characteristic which determines how vigorously capabilities will be employed in some activity. We will firstly examine ability and then motivation.

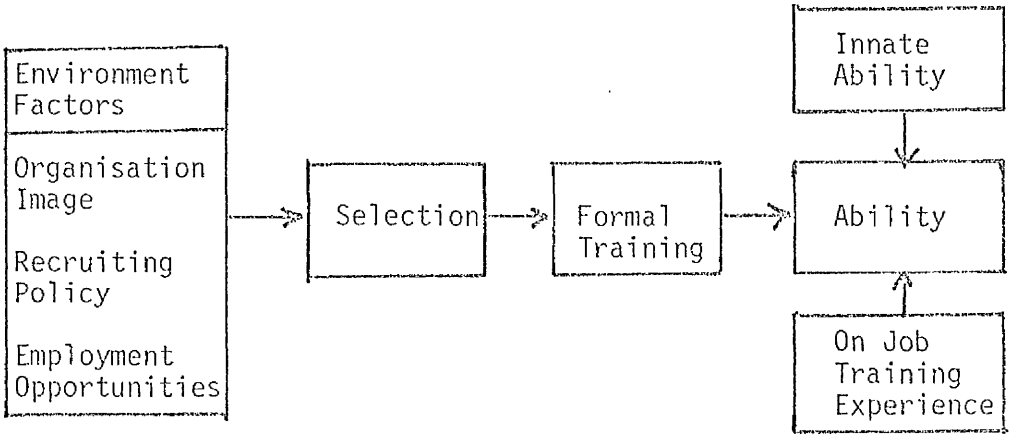
Ability

Conceptually individual ability may be considered to consist of two elements, the innate and the accumulation of skills by training.

The general level of ability in any organisation is a function of the selection process and training programmes. Selection seeks to ensure that staff recruited by an organisation have a specified minimum level of ability consistent with their field of occupation.

Ability levels may be increased by training. It is generally accepted that staff high in ability to begin with are likely to gain more from training than staff starting at a lower level of ability. A model showing the variables influencing and affecting ability is shown at Figure 1.4.

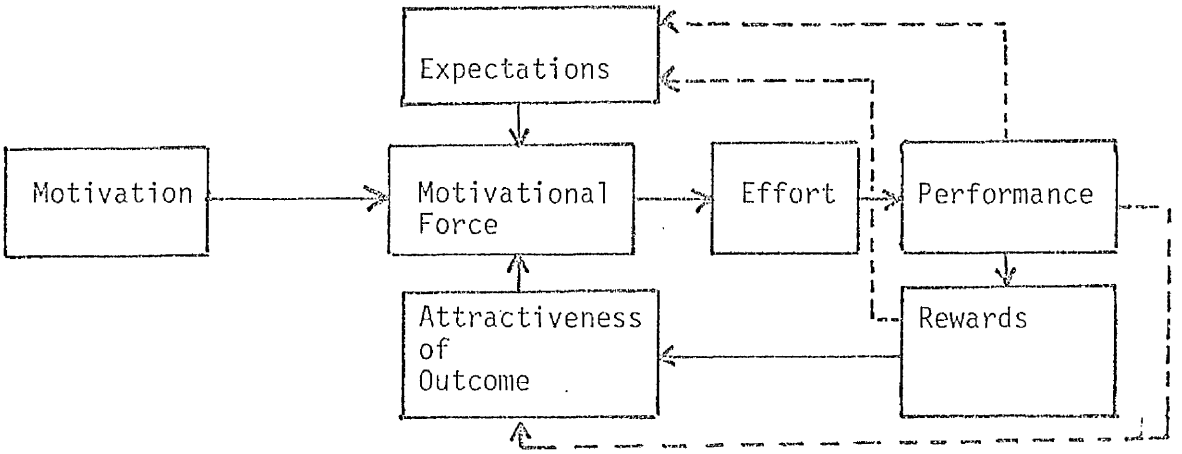
Figure 1.4. Determinants of Ability




Motivation

The motivation dimension unlike the ability dimension from our performance model is not amenable to such simple treatment. Motivation is a somewhat elusive dimension influenced by a complex interaction of variables of which personal needs, perception, expectation, attractiveness of outcomes and rewards feature prominently. Firstly, we need to gain an understanding of how these variables interact and influence motivation. A conceptual motivational model has been set out at Figure 1.5. From this basic outline model we shall move on to discuss motivation theories and examine in detail the interaction between rewards, effort, performance and attractiveness of outcome.

Figure 1.5 Outline Motivational Model




First Order Effect shown thus _____

Second Order Effect Shown Thus - - - - - -

Relating this model to the dockyard scene and the theme of our study, rewards, we can distil the model down to two key dimensions, namely the dependent variable of Performance, and the independent variable of reward. In the majority of organisations there will be a feedback loop between output and input (performance and reward) as is shown in Figure 1.5; in other words the financial reward available to employees will be a function of the organisation's performance. However, this link between financial reward and dockyard performance for Non-Industrial grades is non existent. At the personal level the link between individual performance and the other major reward, promotion, is some what tenuous, a point we shall explore later. To reiterate therefore, the objective of the study is to identify methods of strengthening the links between performance and the pay and promotion rewards, so that dockyard performance may be improved. We shall examine ways of strengthening these links by analysing the factors hypothesised to contribute to individual and group performance.

To achieve a greater understanding of the concept of motivational force and how it affects individual behaviour we need to establish a more precise connection between the dimensions of reward, performance, effort,

attractiveness of outcome and expectation than shown in Figure 1.5. To do this we must turn for assistance to the field of motivational theory.

Motivational Theories

A number of motivation theories suggest scientific explanations of why individuals choose particular behaviours to attain their goals. The general "Expectancy theory" model of human motivation provides one way of analysing and predicting which courses of action an individual will follow when he has the opportunity to make personal choices about his behaviour. This theory, which was originally formulated by Tolman and Lewin in the 1930's recently has been usefully applied by Porter et al (1975) to behaviour in organisational settings by Vroom (1964) and Porter (1968). In essence Vroom's model postulates that the motivational 'force' to engage in a behaviour is a multiplicative function of (1) the expectancies the person holds about what outcomes are likely to result from that behaviour and (2) the attractiveness or valence of these outcomes.

Motivational Force = Expectancy x Valence

Expectancy Model

A number of developments in motivational theory have taken place since Vroom stated his expectancy theory in 1964. The expectancy model we shall describe draws on these developments to provide the best available model for understanding motivation in organisations. This model is based on four points that previous research on human motivation suggests are valid:

a. People have preferences among various outcomes that are potentially available to them.

b. People have expectations about the likelihood that an action (effort) on their part will lead to the intended performance.

c. People have expectations about the likelihood that certain outcomes will follow their performance.

d. In any situation, the actions a person chooses to take are determined by the expectancies and the preferences that the person has at that time.

Let us illustrate our theoretical model with an example.

Dealing firstly with the proposition at paragraph b, suppose a Non-Industrial estimates that there is a 50% probability that his workgang will complete the refurbishment of a ship's main engines in six weeks. The Non-Industrial's estimation of the probability that he will complete this task in six weeks is simply his expectancy. This can be labelled an effort - performance (E $\rightarrow$ P) expectancy, where effort may be physical or mental or as is more usual, a combination of both. If we consider this kind of expectancy as varying from 0 to 1 the Non-Industrial's expectancy in our example may be represented as 0.5.

Moving on to consider the proposition in paragraph c which postulates that people have expectancies about the likelihood that certain outcomes will follow their performance. These expectations, which can be labelled Performance - Outcome (P $\rightarrow$ O) expectancies, are subjective probability estimates and can vary from 0 to 1 in the same manner as the E $\rightarrow$ P expectancies. Returning to our example, the Non-Industrial may believe that there is a 50% probability that he will be selected to fill a more prestigious post which he desires, if he completes the job within six weeks. In addition he may see a number of other outcomes associated with completing the job within six weeks, a more favourable staff report and, indeed he may see still other outcomes associated with trying, but failing to complete the work to programme.

The final point concerns the attractiveness of the outcomes which the individual believes to be available. The attractiveness or valency (V)

of any outcome can be thought of varying from a very desired +1 to a very undesired -1. It is postulated that there are two reasons why outcomes associated with performance may be valent

1. They directly satisfy a person's needs

or 2. They lead to an outcome or outcomes that satisfy a particular need or sets of needs.

So far we have not examined how the various expectancy factors combine to determine motivation. Most expectancy theories Lawler (1973) have operated on the assumption that the higher the E→P expectancy and the more closely performance is seen to be related to positively valent outcomes, the greater will be the motivation. Based on past research Lawler asserts that this assumption seems generally valid. Motivation does seem to be greatest when E→P is high for successful performance and low for unsuccessful performance and when P→O is high for positive outcomes and low for negative outcomes. In the case of our model this approach would involve multiplying all P→O expectancies by the valence of the outcomes and then adding the product. This sum would then be multiplied by the E→P expectancy for successful performance. In terms of a formula such as Vroom's this gives

$$(E \rightarrow P) \times (((P \rightarrow O)(V))$$

For our Non-Industrial, this means that his E→P expectancy for doing the job within six weeks; his P→O expectancies for doing the job within six weeks and the perceived attractiveness of the outcomes combine to determine his motivation to do the job within six weeks.

Having examined in detail the factors which influence and determine the strength of motivational force we will set out a more comprehensive motivational model compared with the model set out in

Figure 1.5 and incorporating the ability dimension examined earlier and set out in Figure 1.3

Figure 1.6 The Model of Motivation

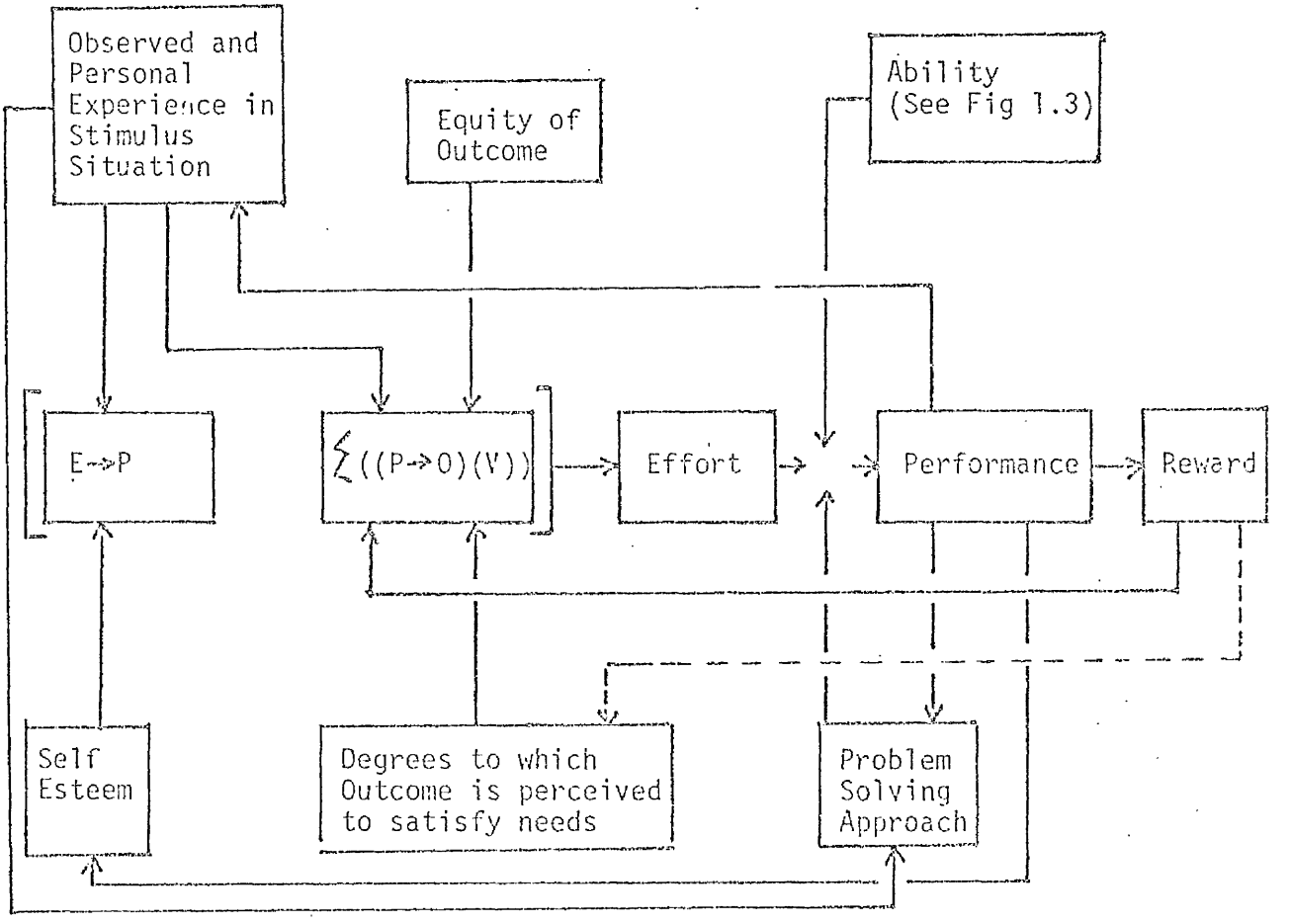



Figure 1.6 illustrates the motivation model that we shall use to investigate and examine how systems of reward, principally pay and promotion, may be structured to improve dockyard performance. Before leaving the model, it should be observed that the self esteem dimension inter acts with the E→P expectancy, it is considered to influence the amount of effort expended. The equity or perceived fairness of outcome dimension is conceptualised as modifying the (P→O)(V) relationship. In other words it compares the actual with the expected reward for a given level of performance

Before finally concluding this section on our motivation model a brief comment on the shortcomings and deficiencies of the expectancy

model in general is merited. An evaluation of expectancy theory by Henemen et al (1972) indicates that a number of aspects of the theory have not been validated. He particularly mentions that the interaction among independent variables are explicitly hypothezised to account for significant variations in performance, but these potential theoretical improvements have not been reflected in research. The implication for the study is that the model will need to be applied judiciously in order to avoid making erroneous interpretations and drawing incorrect conclusions relating to the circumstances in the dockyard. Indeed validation of our model can only effectively be made by altering the variables that we believe will lead to an improvement in organisation performance and then monitor the situation. However, complex cause and effect interactions mean that in reality we would be unlikely to identify or associate specific dimensions with specific outcomes. Despite these reservations, it is deemed that the theory is more than adequate to facilitate a comprehensive investigation into our study of rewards for Non-Industrials in dockyards.

Pay Theory and Systems A Brief Overview

To complement our theoretical model of motivation we need to gain some idea of the influence that pay as a reward has on motivation. Although intuition places pay at the top of a league of rewards for the average person it would be useful to understand how people develop such a strong affinity for pay. For this exposition we will draw on Lawler's (1971) distinctive model of the importance of pay. Lawler takes as his starting point Vroom's (1964) assertion that money has value when it is associated with other valued outcomes. Vroom makes no attempt to explain why this occurs and really side steps the issue by stating that it is not amenable to explicit statement at this time. However,

this approach does enable forecast about outcomes to be made. If, however, we think in terms of human needs then we may be able to predict what outcomes are likely to be valued. It is suggested that a theory which states that certain needs are important to individuals and that certainfactors affect the importance of these needs can make some significant prediction about when pay will be important and about the affects of certain system of rewards (pay) that cannot be made by Vroom's theory. Lawler argues that for a model of the importance of pay to incorporate a necessary element of predictiveness it must be based on individual needs.

Importance of Pay - Lawler's Model

The core of Lawler's (1971) model on the importance of pay is the fact that a given amount of pay derives its importance from its perceived association with the six types of needs postulated by Maslow (1954). Conceptually the value of pay is generated by multiplying each 'need' by the importance of that need and summing the results. An important point to note is that the theory does not specify what the relative instrumentality of pay is for different needs and consistent with Maslow's theory there may be a progressive decline in the way pay is valued beyond a certain minimum amount. Pay in other words is not particularly instrumental in satisfying social and self actualization needs, that is the higher order needs. However, the evidence suggests that the model adequately accommodates esteem and psychological needs. This is an important consideration from the point of view of the study as a factor which has assumed importance to certain P & T grades is the unfavourable horizontal pay differential which has opened between them and their executive peers.

The inference from the model is that pay is likely to be an effective motivator when an individual has a strong desire to satisfy safety security and esteem needs. The next point to address is how theories on pay are related to pay systems. An oversimplification of the problem would be to identify a person's needs and structure a pay system accordingly.

In practice, payment systems fall into two broad groups

a. Payment by Results

b. Payment by Time

Payment by Results

The simple philosophy which underpins this system is that a simple relationship can be established between effort and reward Webb (1982). The system presumes that if money can be used to induce effort, then more money will result in more effort. The link between performance and reward is strong, providing that the desire for money is strong. This system of pay is ideal for a management that believes that motivation to exert maximum individual effort and achieve maximum output is the most important objective for a pay scheme.

Payment by Time

The philosophy which underpins this system is that there is a fair day's work which corresponds to a fair rate of pay. As only the wage rate is subject to specific bargain, although there may be understanding between the parties as to what constitutes a fair day's work, the only realistic assumption is that the rate of work is what one could expect from a relatively unmotivated employee who otherwise was working conscientiously.

Shaw (1982) asserts that payment by time in all its forms is consistent with the idea that payment systems should be designed to encourage co-operation between management and employees to achieve the best results. Nevertheless in a pure Payment by Time system the link between performance and reward is tenuous.

The purpose of this brief examination of the theoretical aspects of pay and a brief description of pay systems is to provide a frame of reference to appraise the current dockyard pay system and to test alternative systems of pay for Non-Industrials.

# CHAPTER 2

## INSTITUTIONAL ASPECTS

### Introduction

There are a number of distinctive methods of organising work, exercising of authority and controlling of people within an organisation. Other important determinants concern the degrees of formalisation required coupled with the role prescribed to rules and regulations. Handy (1976) postulates four distinctive types of organisational ideologies or cultures; these are power, role, task and person. We will focus on role culture for reasons which will become immediately evident.

A role culture may be diagrammatically depicted as a series of vertical pillars on which is superimposed a triangle. The role organisation derives its strength from its vertical pillars, its functions or specialities. These pillars are strong in their own right provided their foundation or environment is stable. Handy in his expose and profile of role culture, cites the Civil Service as an example and further asserts that role cultures offer security and predictability to the individual.

A predominant feature of a role organisation is that there are elaborate procedures for roles, eg job descriptions, authority definitions, rules for the settlement of disputes. Another characteristic is that the role or job description is often more important than the person who fills it. Staff are likely to be selected for the satisfactory performance of a role, and the role is usually conveniently described to permit a range of individuals to fill it.

The tasks of each department are co-ordinated by the respective manager of the department. Co-ordination is exercised at the top by a small band of senior managers. The classical system assumes that this should be the only personal co-ordination needed. Decision making moves vertically in each pillar with a single cross over point at the top. The organisational structure of the Royal Dockyards accords to the classical role culture - an assertion which

Figure 2.1

PRE-REORGANISATION MANAGEMENT STRUCTURE

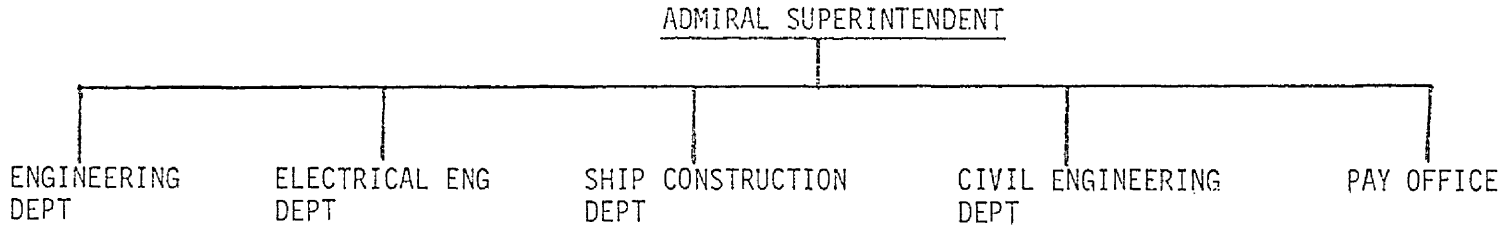
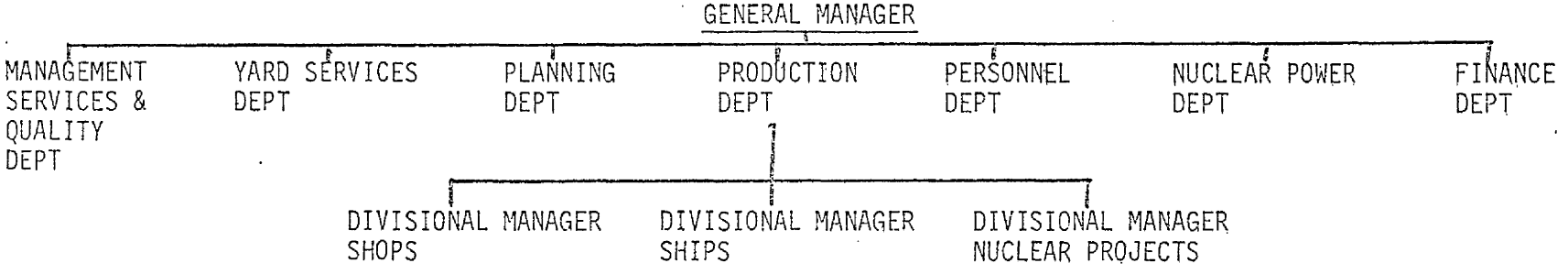



Figure 2.2

POST REORGANISATION MANAGEMENT STRUCTURE



will be substantiated in the following examination and appraisal of the relevance of the current dockyard organisational structure to the task of ship repair.

Dockyard Organisational Structure

The current dockyard organisational structure can be traced to an Admiralty Material Requirement Committee report 1958. This report recommended that the departmental organisational structure fig 2.1 should be abolished in favour of a functional organisational structure fig 2.2. The manager of each functional department is accountable to a General Manager who in turn is accountable to the Chief Executive Dockyards (CED), but he also has certain responsibilities of an administrative nature to the Local Port Admiral. The General Manager has full responsibility for the productive work of the dockyard and for the control and supervision of its personnel. Some of the salient features of the current dockyard organisational structure will be discussed. Consistent with the role culture model, the task of refitting ships is broken down into a number of specialisations. The main functions are production, planning, specialist production and support functions, yard services, personnel management services and finance. Within each of these broad task areas there is a plethora of highly compartmentalised jobs. The duties and authority attached to each management post are set out in detailed job descriptions or, in dockyard parlance, position charters. Interaction within the work organisation follows vertical lines, up and down the hierarchical chain.

In a role culture system, the decision making process is sensitive to the number of tiers of management and also the number of managers. The greater the number of managers and tiers of management there are, the slower the decision making process is likely to be. The dockyard with eight tiers of management and an overall ratio of 1:3.8 Non Industrial to Industrial is not structured to facilitate rapid decision making. A breakdown of numbers by departments is shown at fig 2.3.

Table 2.3

Distribution of Non Industrial and Industrial Grades Between Departments - July 1981

| Department | Non-Industrial | Industrial |
|---|---|---|
| Production | 636 | 2758 |
| Planning | 271 | 33 |
| Yard Services | 166 | 570 |
| Nuclear Power | 108 | 102 |
| Personnel | 107 | 29 |
| Finance | 124 | 2 |
| Management Service & Quality | 32 | 8 |
| Civilian Secretariat | 24 | - |

The inflexibility of the management system is reinforced by the dominant position accorded to the written job description. The scope of each job is defined precisely, the individual is informed what he has to attend to and how. This tyle of management accords with Burns' (1963) description of a mechanistic system which he asserts is appropriate to stable conditions. It should be emphasised that although there is nothing inherently incompatible between the organisational structure of the dockyard and the mechanistic style of management practised it is, however, an issue which merits further investigation. The way an organisation is structured and the style of management practicsed can affect the attractiveness of the intangible rewards controlled by the organisation, for example opportunity for responsibility and participation in decision making.

Dealing firstly with the organisational structure, the highly compartmentalised system is not really compatible with the task of ship repair work. The complexity of the work demands close integration of the multiplicity of disciplines involved. Communication up and down long management chains greatly inhibits efficiency. Recognising the constraints imposed by the raw organisational structure, project management was introduced in the 1960s to inject flexibility into the system. The concept of project management is sound, it provides a platform which enables interaction to take place at every hierarchical tier within the functionally structured system. It permits the co-ordination and control of all activities associated with a ship's refit. This is achieved because the establishment of the project group permits a series of horizontal communication paths to be set up linking the various hierarchical chains. In other words a matrix system of management has been evolved to circumvent the constraints inherent in the functional system.

The theoretical benefits which should have accrued from this matrix structure have not been realised because of the combined debilitating effects of too many managers and inflexibility sustained by adherence to formal job descriptions. The project system was evolved primarily to cope with the unstable conditions which are a feature of the day to day activities of a ship's refit. Unfamiliar problems and requirements continually arise and those which cannot readily be broken down are distributed among the functional managers for solution. Although specific problems are presented to the various line management teams for solution, this is done within the general framework of the overall project plan. The definitive and enduring demarcation of functions militate against the line continually producing effective solutions because vested interests would probably inhibit the necessary level of interaction and participation. However, does the current project management approach facilitate the requisite level of innovative behaviour to make the dockyard style of project management effective? Sadly the over reliance on formal

job descriptions coupled with the physical number of managers normally involved in any decision making sequence greatly weakens the effectiveness of the project system.

Because of the highly structured and mechanistic style of dockyard management, lower management is conscious that it is not being rewarded with responsibility and authority commensurate with its position. It is suggested that as a result, the commitment of lower management to the dockyard is weakened. To nullify some of the more adverse effects of the current management system it will be necesary to introduce flexibility into the way project management is practised, in other words it must encourage each individual to do his job with detailed knowledge of the overall purpose and objectives. But how capable is the dockyard organisation in its current form of meeting lower management's aspirations for greater responsibility? The intuitive answer is, it is not, because the organisation is heavily suffused with rules and regulations structured to enable the Civil Service to administer the functions of government. However, for a more objective answer to this question, it is necessary to examine briefly the suitability of a mechanistic or bureaucratic style of management to an industrial undertaking. Bureaucracy is simply a system of management which places great emphasis on centralised control and uniformity. What this means is that the organisation must promulgate a series of bureaucratic rules that should ordinarily prevent, insofar as is humanly possible, the application of non-uniform standards. Unfortunately this usually means that rules must be geared to accommodate the lowest common denominator. That is they cannot leave any rule ambiguous, to be decided at the discretion of an individual manager, since that leaves open the possibility of manager arriving at a non-uniform interpretation. Thus the bureaucractic rules are not only explicit and inflexible, but also constraining, positively discouraging creative and innovative thought and finally they are very impersonal. The net result

is that the dockyard organisation, whilst obviously desirous of a system of management to cope with uncertainty which is a feature of ship repair and where flexible response and speed may be of the essence, have to operate with a system of management which supresses the very characteristics it so desperately needs to encourage.

Returning to the question posed earlier concerning the organisation's ability to satisfy lower management's responsibility needs, this will be relevant only if lower management rate responsibility an attractive reward. This issue will be investigated by the questionnaire and commented on in Chapter 7.

## The Professional and Technology Group and Its Standing in the Civil Service

The existence of the P&T group in its present form was brought about as a result of implementation of the Fulton Report (1968). In 1972 the Works Group and some of its supporting technical classes were reconstituted as the Professional and Technology group.

Dockyard management is drawn almost exclusively from the P&T group with members of the Administrative group providing services such as clerical support, although it is more usual in the Civil Service for members of the Administrative group to occupy the senior positions in a department. Indeed one of Fulton's (1968) main observations was that the Administrative class held the dominant positions in the Civil Service and that this class was (1968) essentially based on the philosophy of the amateur. A preponderance of generalist and graduates still occupy the senior positions because the reforms Fulton proposed for changing the top management of the Service have not yet been implemented Garrett (1980). Thus the prevailing view even amongst junior P&T grades that the Administrative group enjoys a privileged position has a degree of substance. The fact that a reward for exceptional performance by members of Specialist groups is the opportunity to transfer to the Administrative group tends to reinforce this perception of the Administrative group's dominant position.

In summary, the dockyardsare managed by a group who at the senior levels do not enjoy the same opportunities as senior administrative grades. Although it would be unrealistic to assume that these considerations influence the behaviour of junior P&T grades, the existence of horizontal pay differentials between comparable grades in the Administrative and P&T groups obviously has an impact on attitude.

Before leaving this section is is necessary to clarify the nomenclature that we shall use to refer to the subjects of the study. The term Non-Industrial applies to all white collar Civil Servants and is therefore the collective term for P&T, Administrative grades etc. However, in this paper the term Non-Industrial refers specifically to P&T grades unless we specify to the contrary or the sense of the material makes it obvious to whom we are referring.

Similarly a distinction needs to be made between the terms Non-Industrial and lower management. Our use of the term lower management will be used to describe those members of the P&T group employed in line management jobs.

## Constraints Confronting Local Dockyard Management

The degree of autonomy that the senior management enjoy in each dockyard is limited and is in no way comparable to that enjoyed by their counterparts in private and nationalised industries. In this section we shall discuss some of the major constraints although not every individual constraint is necessarily unique to the dockyards. For convenience we will examine the constraints under the broad headings of Rewards, Career Planning, Organisational and Structural and the Strategic Importance of activities at Rosyth.

Rewards. We will deal first with pay and second with promotion. Pay negotiations are conducted centrally for the whole Civil Service and local factors in a particular locality cannot influence the basic level of pay. Local management can however, influence gross earnings through their policy on overtime and shift working. Currently each dockyard is allocated a sum of money for both Non-Industrial and Industrial overtime working. By the nature of the work in dockyards the distribution of overtime earnings will vary considerably amongst Non-Industrials.

Promotion is another reward which is administered centrally, but is based, in theory anyway, on the Staff reports written in the dockyards. However, as will be explained in Chapter 4, there is little guarantee that dockyards will necessarily get their ablest men promoted. This can result in local management having to place Non-Industrials in whom they have little confidence, in a more senior post.

Career Planning has been practised for many years in the Civil Service, indeed the Fulton (1968) report had criticised the frequency with which members of the Administrative group were moved from job to job, with some vague idea of giving them experience. However, this phenomenon was and still is by no means unique to the Administrative group. It is recognised that it is necessary for staff to change jobs to enable them to develop their potential to the full. However, the emphasis placed on career development by the Chief Executive Dockyard's personnel management section, particularly with respect to the professional section of the P&T group, does support the view that the needs of the dockyards may on occasion, be subordinated to the individual's career development.

The reason normally given for the frequent rotation of senior staff is that it enables the men who are destined to fill the top posts, in the dockyard organisation, an opportunity to gain a good generalised knowledge

of the machine that they are ultimately to manage and control. One effect of this situation is that detailed knowledge on a whole multiplicity of subjects such as shift patterns, overtime rates and most importantly, custom and practice, tends to reside with the relatively static lower management group. This creates a situation where the mobile management group is heavily dependent on the relatively static lower management for guiding them through a mix of custom and practice, and official regulations so labyrinthine that a proficient working knowledge is difficult to acquire in a short time scale. Thus, a manager confronted with a new problem has really three choices - he delegates it down his chain, he passes it up, or if the problem is complex and particularly if it is not wholly within his manager's sphere of control, a committee is set up to deal with the problem. Burns (1963) states that bureaucractic hierarchies are most prone to this defect. Decision making by committee has an attraction for some people, particularly the anonymity aspect.

Organisational and Structural Dimensions. Since the war the size and complexity of dockyard management's task has grown accompanied by an increase in Non-Industrial numbers. Currently (1982) there are approximately 7,600 Non-Industrials employed in dockyards compared with 2,500 in 1950. A redesignation of some Industrial posts as non-Industrial accounts for some of this increase, but the majority of new posts were, to some extent, a reflection of the more advanced technology found in modern warships. The ratio Non-Industrial to Industrial grades is currently 1:3.8.

Planning and production functions are separate, with the result that those who plan refits are not responsible for their execution. A consequence of this system, intensified by the bureaucratic style of management, is that more efficient methods of carrying through work packages, developed on the job, are sometimes slow to be incorporated in future work plans. In other words feedback from the workplace to the planner's office may be slow or indeed non-existent.

The introduction of Project Management to carry through refits has increased the number of Non Industrial management grades associated with ship repair work. The adoption of the Project management system has been achieved by superimposing the Project team onto the line management team in a matrix management system. As a result Project managers find themselves in the invidious position of having to meet refit completion dates, but not controlling the resources used in the refit.

A further constraint concerns the number of levels of management, which will be discussed in more detail later. From the General Manager down to Technical Supervisor there are eight although usually no more than seven are filled. The number of management levels at present reflects the number of grades. Long management chains, particularly in a bureaucratic organisation, tend to make effective communications difficult. Additionally, seven or eight levels of management tend to reinforce the remoteness of senior management which is likely to be a feature of any large organisation.

The dockyard employs a wide range of skills and each skill or craft is represented by a trade union. There are ten craft and industrial Trade Unions represented at Rosyth. The presence of a large number of different trade unions engenders a competitive climate amongst shop stewards. A manifestation of this situation is that senior management are subjected to continual pressure from individual Trade Union shop stewards, to increase specialist allowance pay, applicable to a particular craft or adjust work routines to benefit a particular group. What one Trade Union is seen to get, the others, quite naturally, want as well. Thus there is a continual ratcheting up process suffusing the industrial scene. The impetus for this competitive behaviour stems from the process which requires shop stewards to submit themselves for re-election annually. Thus a shop steward desirous of being re-elected is likely to take any

opportunity offered to improve his chance of re-selection. It is therefore paradoxical that the democratization of Trade Unions which is believed in some quarters to be the panacea for industrial ills, should in practice encourage divisiveness and make a negative contribution to performance.

The strategic importance of the work carried out particularly at Rosyth Dockyard imposes further constraints on the local management. The approach to industrial relations problems is influenced by the importance that the Naval Staff attach to the completion date of key vessels such as Polaris submarines. Thus in any industrial dispute situation, the management is almost inevitably involved in a damage limiting exercise. Disputes are seldom permitted to develop to a state where the refit of important units is jeopardised. Consequently many decisions involving a potential dispute situation have to be referred to headquarters and this inevitably takes time when time is of the essence in a rapidly changing situation. A consequence of this practice is that the authority of management in its relationship with both Non-Industrial and Industrial Trade Unions is diminished by the recognition that decisions may ultimately be made by headquarters and the line taken locally may not necessarily be endorsed. However, the General Manager Rosyth, Mr FISHER, commenting on this observation stated that the effect on disputes of making reference to Headquarters is of less significance than in former years with a consequential effect on the position of local management.

## The Position of Non-Industrial Trade Unions

The members of the P&T group belong to either the Institute of Professional Civil Servants (IPCS) or the Association of Government Supervisors and Radio Operations (AGSRO). Membership of the AGRSO is limited to the first tier of management in the P&T group. Membership of the IPCS, however, encompasses lower middle and upper management. At local level, IPCS and AGRSO representation is based on specialist groups.

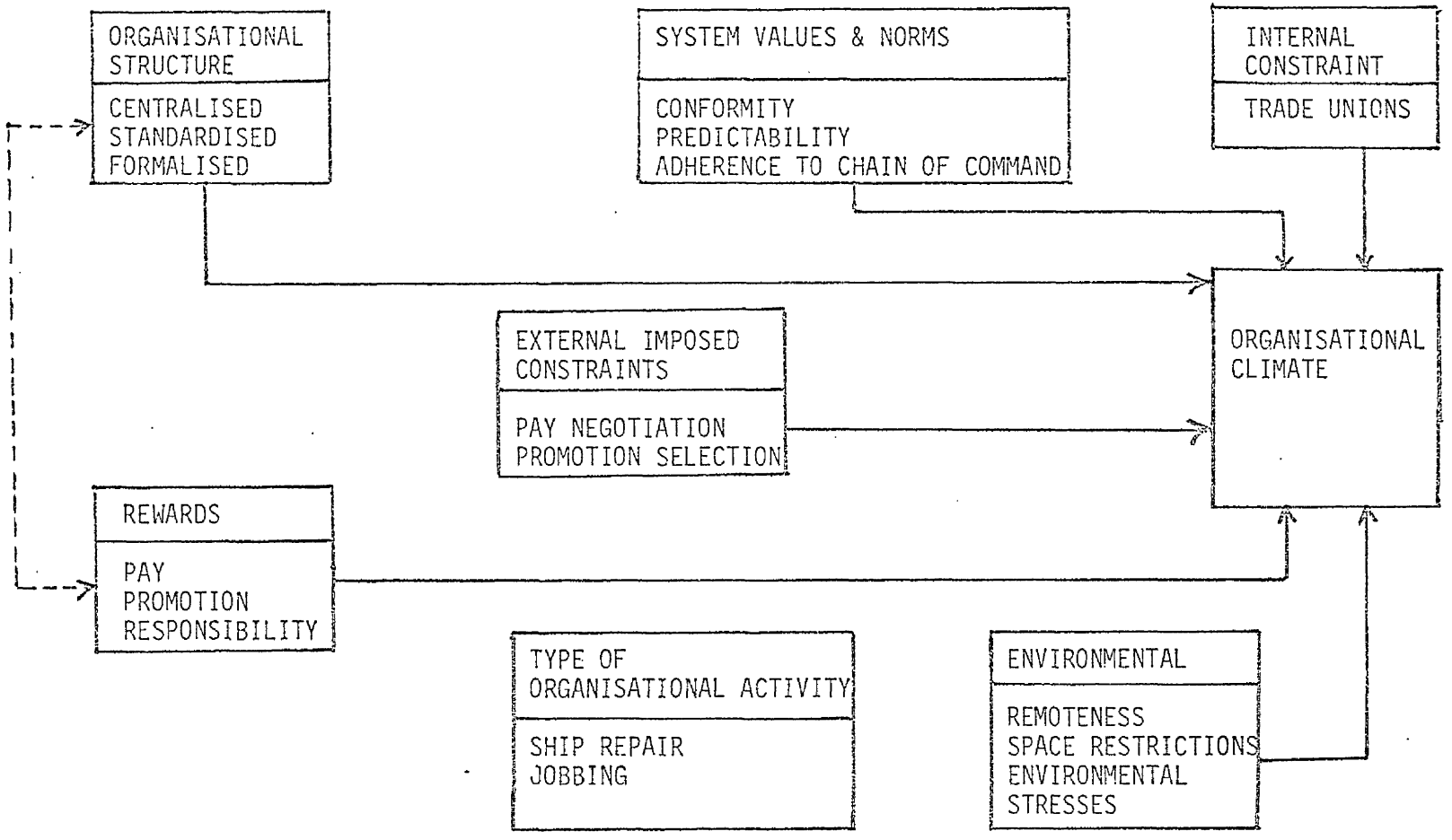
At Rosyth for example, there are 2 dominant IPCS branches, the Technical and Drawing Office - there is a third branch which represents the professional engineers, but numerically it is small and its influence is much less than that of the other 2 groups. It is to the professional or RCNC branch that nearly all senior management belong. The Technical and Drawing Office branches each have their own chairman and management structure, and representatives in each dockyard department.

Staff relations in the Civil Service are organised through the collective machinery of Whitley Councils. The main staff associations are members of the Staff Side of the National Whitley Council and staff associations with members in a department constitute the Staff Sides of Department Whitley Councils. The Official Side of the Whitley Council normally comprises a number of the senior management in the department.

The authority that the local Whitley Councils have is very limited. There appears to be a reluctance by Managers to become involved in questions of organisation and staffing at Whitley committees which are often the subject of complex agreements reached centrally. These agreements are the responsibility of the Personnel Department of the CED department and staffing is regarding as their exclusive province. The scope and authority that a departmental manager has is limited and consequently he is normally unable to take decisions on the majority of problems raised by the Staff Side. As a result, the manager is apt to see himself as less than fully responsible for the effectiveness of his department. It is perhaps ironical that the machinery exists in the Civil Service to satisfy the desires of staff to have more control over their work situation, but the bureaucracy constraints the Official Side by its habitual requirement for greater centralised control. The desire for greater autonomy by employees is a national trend, and it is speculated that there may have to be a review of the machinery for conducting staff relations to accommodate these needs.

Figure 2.4

COMPONENTS OF ORGANISATIONAL CLIMATE



During the period 1979-81 there have been two industrial disputes involving Non-Industrial grades up to Principal level. A consequence of these disputes has been to bring into prominence the role of the Non-Industrial trade Uion (NITU) representative. Previous to these disputes, NITU representatives did not have the standing of their Industrial Trade Union peers, but their deep involvement in those disputes forced their presence on senior management who found themselves negotiating with junior Non-Industrial grades. Thus a new dimension entered the dockyard industrial scene as a result of the 1979-81 disputes.

## The Dockyard's Organisational Climate

To conclude this chapter we shall attempt to draw the various aspects of institutional dimensions together under the embracing concept of organisational climate though the concept of organisational climate is rather 'fuzzy' and the literature is characterised by a lack of consensus on the subject. For our purposes we shall draw on Campbell et al (1970) who identified four broad dimensions and conveniently these are factors that we have already examined.

A model of organisational climate has been developed and is set out at figure 2.4. This model although drawing on Campbell's work is our interpretation of the dimensions influencing organisational climate. We shall deal with four components of the dockyard's climate in our treatise.

Dealing firstly with organisational structure we have already noted the highly structured nature of the dockyard's organisation and the dependency on the written job description. This places certain constraints on individual freedom of choice regarding behaviour which is reinforced by external constraints imposed on senior dockyard management by the Chief Executive Dockyard department.

The type of work carried out in the dockyard, jobbing, demands a certain level of individual initiative and a general innovative approach

by line managers. We have already suggested that the highly bureaucratic system of management practiced in the dockyard is not compatible with ship repair work. A supposition emerging from this apparent incompatability between work and management style is that a degree of dissonance exists in the organisation which may affect and influence employee behaviour.

A second factor which may affect organisation climate concerns the position of the specialist group viz a viz the executive group within the overall framework of the Civil Service. The viewpoint of P&T grades on this issue is difficult to ascertain indeed the P&T group may perceive their position compared with the executive group more favourably than the actual position suggests, but this is unlikely because of the existence of a horizontal differential between certain P&T and executive grades. Thus the different treatment these two groups receive, emanating from their different pedigrees within the Civil Service, may create undertones of tension amongst Non-Industrial grades in dockyards.

A third factor relates to rewards and their administration. The fact that pay rates are determined centrally tends to avoid conflict, at the local level, between senior dockyard management and other employees. In other words, centralised pay negotiation avoids local management becoming the focus of disenchantment over pay levels. However, as control of overtime spending has been devolved to each dockyard, this means that local management is not entirely immune from local trade union pressure on the pay issue.

A fourth factor which influences the climate at Rosyth concerns the strong position occupied by the trade unions. The emergence of trade union assertiveness has been a feature of industrial relations in this country over the past ten years. This development has presented management with a challenge to maintain their legitimate position. We shall examine this issue in depth in Chapter 7.

In summary we have an organisation where climate tends to be dominated by the management style. Both the position of the specialist group within the Civil Service and the trenchant attitude of the trade unions obviously interact with management style to produce a climate where the individual has difficulty in perceiving his contribution to organisational effectiveness. It is also a climate where remoteness and a lack of choice are likely to be dominant features.

# CHAPTER 3

## THE CURRENT SYSTEM OF PAY

### Introduction

Implicit in our examination of the pay system administered to civil servants in general and dockyard Non-Industrial grades in particular is the assumption that the current pay system has ceased to be capable of accommodating the present day needs of the civil service. Since the adoption of the Priestley principles in 1955 for civil servants' pay considerable changes have occurred and the whole structure of industrial relationships and social influences have altered. For example Non-Industrial trade unions have become more assertive with an attendant commonality of purpose in response, in part, to the greater expectations of their members.

This Chapter examines the main issues relating to pay under four broad headings:-

a. Civil Service system of pay determination which incorporate an introduction to the Megaw report.

b. Specific pay problems areas in Naval Dockyards.

c. Motivational implications arising from the pay system as administered in Naval Dockyards.

d. The effectiveness of the current pay system.

The method which was used for pay determination in the Civil Service between 1955 and 1980 will be examined because an understanding of the mechanics of that system provides essential background to an appreciation of the pay issue. In common with most organisations the dockyard's internal structure of payment level is difficult to understand particularly in the area of pay enhancements. Thus it is necessary to examine, in detail, the dockyard's pay system so that some idea of how the system affects the motivation of Non-Industrials can be gained. The

Chapter will be concluded with an assessment of the system's potential to generate and sustain effective performance in dockyards.

## The Civil Service System of Pay Determination

Since the present structure of collective bargaining in the Civil Service was introduced in 1919, pay awards were determined first through movements in the cost of living index and then according to the recommendation of the Tomlin Royal Commission on the Civil Service (1929-1931). This consolidated the idea of using comparisons with remuneration in other employment to determine Civil Service pay, on the basis of long term trends of movements in remuneration. Dissatisfaction with the methods of setting Civil Service pay and with the actual pay levels led to the establishment in 1953 of the Priestley Commission to consider 'whether any changes are desirable in the principles which should govern pay, or in the rates of pay at present in force for the main categories'.

The Priestley Commission reported in 1955. Their basic conclusion was that the overriding aim of a Civil Service pay system must be 'the maintenance of a Civil Service recognised as efficient and staffed by members where remuneration and conditions of service are thought to be fair both by themselves and by the community they serve'.

To achieve this aim, the Priestley Commission recommended the adoption of one 'primary principle'; that Civil Service pay should be based on:

'fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of differences in other conditions of service'.

The Priestley Commission made detailed comments on the way in which the evidence of outside pay rates should be collected through 'pay

research' and how it should be used. The Commission's main recommendations were put into effect promptly. A formal agreement was concluded between the Government and the Union side in 1956. A Pay Research Unit was set up in the same year to begin the detailed process of surveys into outside pay and other conditions of service.

Priestley and Pay Research Unit

The Pay Research Unit's (PRU) task was to establish comparisons between individual jobs inside and outside the Civil Service and then to report not only the actual rates of pay but also all other relevant conditions of service for the analogous jobs outside the Civil Service. It should be stressed that it was not the function of the PRU to recommend pay rates for the Civil Service. The PRU undertook its comparisons through two surveys.

a. Internal Surveys - the PRU examined a representative sample of the current work of the grades under review so that proper comparisons could be made.

b. External Surveys - the PRU looked at a series of individual jobs in a sample of organisations in the public and private sectors. Each sample was chosen to reflect the spread of work comparable to the occupations of the relevant Civil Service grades throughout the country.

The Priestley Commission expected that the organisations selected for outside comparisons would be 'good' employers. However, the Commission rejected the idea that the Government should be a 'model' employer, that is, one who sets an example to industry and commerce, for example paying the highest rates of pay. Nevertheless a prerequisite of 'good' employer was interpreted for the purposes of Pay Research as an organisation employing more than 1000 employees. Indeed about four-

fifths of the PRU's surveys in 1980 were in enterprises with over 2000 employees and the remainder were almost exclusively drawn from firms employing over 1000 staff.

The CBI (1981) commented that the experience of many businessmen is that there is a tendency for large firms to pay higher rates, an impression supported by the results of the 1964, 1968 labour costs surveys.

Table 3.1

Analysis of Labour Costs in Manufacturing Industry by Size Range of Firms (Average expenditure for employees £s per year)

| | Size of Firms (Number of Employees) | | | |
|---|---|---|---|---|
| | 25-249 | 250-999 | 1000 | Av. of all employers |
| 1964 | | | | |
| Total Wages & Salaries | 717.8 | 756.5 | 868.9 | 813.0 |
| Total Labour Costs | 769.0 | 818.2 | 953.1 | 885.5 |
| 1968 | | | | |
| Total Wages & Salaries | 899.1 | 965.2 | 1,110.8 | 1,034.5 |
| Total Labour Costs | 973.3 | 1,056.4 | 1,220.1 | 1,132.9 |

Sources: Ministry of Labour Gazette - Dec 1966

Employment and Productivity Gazette - Aug 1970

Table 3.2

Analysis of Labour Costs in Manufacturing Industry by size of Firm 1973 (Average expenditure per employee £s per year)

| | Size of Firms (Number of employees) | | | | | |
|---|---|---|---|---|---|---|
| 1973 | 50-99 | 100-199 | 200-499 | 500-999 | 1000 Over | Av. o all Emplo ers |
| Total Wages/Salaries | 1542.5 | 1559.3 | 1631.1 | 1710.4 | 1945 | 1799 |
| Total Labour Costs | 1687.7 | 1708.5 | 1801.3 | 1897.6 | 2177.6 | 2001 |

Source: Department of Employment Gazette - Sept 1975

Although official labour cost surveys since 1973 have not provided information by size of enterprise, it is the CBI's view that the trend has continued. The CBI (1981) argue that size of itself may not be the predominant reason why large companies have higher levels of pay. The concern is that a widening gap between the pay of employees in large and small firms exists, and the linking of the Civil Service to that of large companies will place civil servants in a more favourable position compared to people working in small firms.

Public Sector Pay System Leads and Lags 1970-80

Although effort had been taken to minimise the delays in the system they were nonetheless inevitable. The external pay settlements on which civil service pay was based had been reached, up to a year or more before the civil service's settlement date. Thus civil service settlements were always out of phase. When the trend in pay settlements was downwards, civil service pay reflected an earlier period in the cycle, its pay increases appeared higher than those elsewhere, because the relevant comparisons referred to a period when the going rate increase was higher. This situation was reversed when the trend in pay settlements was upwards. Examination of Average Weekly Earnings Indices for Non-Industrial civil servants and Non Manual Workers in the Private Sector illustrates this point. It is important to emphasise that these indices do not reflect high rates of overtime working by individual groups; later we will see that overtime earnings at Rosyth are above the national average.

Table 3.3

Average Weekly Earnings and Average Salary Indices for Non-Industrial Civil Service and Private Section 1970-80

| | Public Sector Average Earnings | | Private Sector Average Earnings | |
|---|---|---|---|---|
| | Men | Women | Men | Women |
| 1970 | 100 | 100 | 100 | 100 |
| 1971 | 107 | 106 | 112 | 113 |
| 1972 | 122 | 127 | 123 | 125 |
| 1973 | 125 | 126 | 137 | 142 |
| 1974 | 157 | 169 | 154 | 167 |
| 1975 | 185 | 197 | 190 | 221 |
| 1976 | 240 | 256 | 224 | 267 |
| 1977 | 252 | 273 | 247 | 303 |
| 1978 | 276 | 299 | 287 | 339 |
| 1979 | 302 | 338 | 325 | 385 |
| 1980 | 420 | 449 | 397 | 475 |

Source: Inquiry into Civil Service Pay 1982
Cmnd 8590-1

The Civil Service Trade Unions in evidence to Megaw (1982) stated that the de-synchronisation of average earning between the Private Sector and the Civil Service worked potentially against civil servants; when the trend was upwards Civil Service pay stood to be below the going rate, when the trend was downwards the Government was reluctant to permit a civil service pay settlement on the basis of the earlier higher rate. A manifestation of large fluctuations in pay trends particularly during periods of high inflation meant that the system lags were difficult to live with, though in the long term there has been reasonable correspondence between pay movements in the Civil Service and the Private Sector.

Pay Negotiation Uncertainty - Megaw Inquiry

The latest part of 1980 saw a progressive deterioration in relations between the Civil Service Unions and the Government. The Civil Service Unions claimed in August 1980 that the Government broke the national pay agreement by announcing that cash limits would be the major determinant for settling pay rates in 1981. In October 1980 the Government suspended the national pay agreement which prevented publication of the PRU's report for the 1981 pay round. This action resulted in a vociferous attack being launched on the Government by the Civil Service Unions. In 1981 pay negotiations between the Government and the combined Civil Service Unions commenced in February and broke down in March. Selective industrial action which took the form of strike action by selected key groups started almost immediately and continued for a period of twenty one weeks.

It was against this background and emergent dissatisfaction with the Priestley system concomitant unease concerning the soundness of Priestley after 25 years of operating by successive Governments and Civil Service Unions, in particular that prompted a wide ranging review of civil servants' pay. An independent inquiry was set up in June 1981 to consider and make recommendations on the principles and the system by which the remuneration of the Non-Industrial Civil Service should be determined. The report of the independent inquiry was published in July 1982.

A summary of the major differences between Megaw and Priestley are set out in Table 3.4. The real innovative feature of Megaw (1982) lies in its recommendation for the introduction of Performance-related pay. We shall briefly examine the implications of this recommendation along with two other recommendations, Market Forces and Comparability which have a relevancy to our study.

TABLE 3.4

COMPARISON BETWEEN MEGAW and PRIESTLEY

| | MEGAW | PRIESTLEY |
|---|---|---|
| GOVERNING PRINCIPLE | The Government as an employer pays civil servants enough taking one year with another, to recruit, retain and motivate them to perform efficiently at an appropriate level of competence. | The primary principle for determining the pay of civil servants should be fair comparison with the current remuneration of outside staffs employed on broadly comparable work, taking account of other conditions of service, and that internal relativities should be used as a supplement to the principle of fair comparison - and m have to be the first consideration when outside comparisons cannot be made. |
| COMPARABILITY | Comparison should be used but should have a much less decisive influence than in the past. Recommend comparison with only Private Sector. | Comparisons were the core of pay determinat Comparisons made with good employers in both Private and Public sector. |
| MARKET FORCES | Evidence on recruitment and retention of staff within and outside the Civil Service should be taken into account in pay negotiations. | No account was taken of recruitment and retention in pay negotiations. Criterion was not admitted as an overall aim as fair pay rates would take care of recruitment |

| | MEGAW | PRIESTLEY |
|---|---|---|
| GOOD EMPLOYERS | Concept of good employers not accepted, it seems too vague to be of much assistance. | A central pillar of comparability process. Good employer deemed as one whose practices in conditions of employment and industrial relations were good |
| SIZE OF FIRM FOR COMPARISON PURPOSES | Comparisons should be made with pay rates in Large, Medium and Small firms (Private Sector only) | Comparison made mainly with firms employin 2000 staff or more (Private and Public Sector). |
| PERFORMANCE - RELATED PAY | Performance related pay should be introduced at all but the most senior levels. Existing incremental scales should be retained but operated with full regard to performance. | Civil Servants were considered to be adequately motivated by the knowledge that their pay was based on that paid by good employers. |

The preference for a Performance related pay system represents a shift of emphasis from a payment by Time system to a payment by result system and would represent, if introduced, a fundamental shift in current pay practice. The present system of pay is designed to promote employee co-operation, whereas what has been recommended would increase the general level of competitiveness amongst staff. We shall explore Performance-related pay, later in the study, to determine whether a scheme based on this principle would be a suitable alternative for Non-Industrial working in dockyards.

The Megaw (1982) report is also recommending that Market Forces be a strong modifying factor in setting pay levels. Precisely what is meant by Market Forces has not been elucidated by Megaw, but it is difficult to envisage such a system being appropriate where considerable resources have been invested in training specialist and skilled staff. Lowering increases in salaries for example to the point where staff start to leave implies that a high level of pay dissatisfaction would be tolerated, but not necessarily the inevitable diminution in performance. The role of Market Forces is slightly difficult to envisage in view of the rather negative position Megaw (1982) has adopted on the issue of decentralisation of pay bargaining.

Although Megaw advocates comparisons for establishing rates of pay in the Civil Service, it is recommended that they should have a much less decisive influence than in the past. The adoption of a less rigid approach to comparisons with an accompanying greater emphasis on internal relativities would provide an opportunity to eliminate the divisive horizontal relativities which are currently a feature of the civil service pay system. We shall deal with this issue in depth shortly.

It remains to be seen how the structure of pay will develop as a result of the Inquiry, but it will certainly be an important input into

any developments that do take place. However, the name of Megaw is likely to dominate civil service pay negotiations for many years to come.

Pay Systems - Naval Dockyards

As briefly mentioned in Chapter 1 the actual money payment system is an open or public system with rates for any job being published. Money payments are related to grade and length of service in the grade, and in common with most pay systems progression through the various pay bands associated with each grade is a function of seniority. This is a system where equivalent grades in different occupational groups have been placed in bands, although there may be considerable variation in the work content of jobs in the same grade. For example, a Technical Supervisor may be responsible for a gang of 12 men whereas an equivalent Drawing Office grade will probably be constrained to a Drawing Office desk. Thus basic salary is linked directly to grade and does not discriminate between responsibility, experience, qualification, etc, across the various occupational groups or indeed specific posts within each group, although there are exceptions, trials pay, which will be discussed later. The system also accommodates seniority to a limited degree.

No form of payment by direct results, either on an individual or group basis exists for Non-Industrials in dockyards. Performance measurement systems exist, but these are used to monitor the performance of Industrial grades. It is worth reiterating that it is against the official policy of the IPCS to have any form of payment by results scheme for its members. The IPCS argue that a high basic salary which is not linked to performance is all that is required to improve the overall performance of their members. There is a reluctance by the IPCS to acknowledge that high basic pay is no guarantee of good performance. It is postulated that the 'carrot and stick' approach does not accord with the image that the IPCS wish to project of its members.

The basic salary scales for the three grades which are the subject of the study are shown at Table 3.5. There are usually five or six points on each scale. A feature of the P&T groups salary system is that very few individuals enter a salary scale at the bottom. This is because length of service in the previous grade determines the point at which an individual, who has been promoted, enters a particular salary scale. In practice ex-technician apprentices on promotion to PTO IV are about the only P&T grades who enter a salary scale at the bottom.

Table 3.5

Junior P&T Grade Salary Scales 1980/81

| Grade | Scale |
|---|---|
| PTO II | £7200-8100 |
| PTO III | £6100-6900 |
| PTO IV | £5500-6300 |

The use of incremental scales in a pay system has a number of attractions which should not be dismissed lightly. Incremental scales reflect the fact that individuals take time to become fully proficient and conversant in all the work of their grade and make it possible to recognise increasing experience. The use of incremental scales also provides a degree of flexibility in setting starting pay on recruitment and promotion, a point which we have already mentioned in respect of staff promoted to a higher grade. Inexperienced or untrained staff can be paid less on recruitment than experienced staff. Starting salaries can be set higher up the range or scale for people who are older or who have particular qualifications. The incentive value of this type of payment system is perhaps best described as neutral.

Table 3.6

Changes in Pay Relativities (1975-1981)

| | 1.4.75 | 1.4.78 | 1.1.80 | 7.5.80 | 7.5.81 | %Incre |
|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | |
| Principle & Equiv Level | | | | | | |
| Admin Principal | 7450 | 8729 | 11750 | 1400 | 15010 | 101 |
| PPTO | 7450 | 8729 | 11021 | 13200 | 14154 | 90 |
| PSO | 7205 | 8481 | 11343 | 12540 | 13448 | 87 |
| SEO & Equiv Level | | | | | | |
| SEO | 5300 | 7032 | 8900 | 10500 | 11265 | 112 |
| PTO I | 5330 | 7064 | 8601 | 10200 | 10944 | 105 |
| SSO | 5778 | 6858 | 8705 | 9819 | 10322 | 79 |
| TTOA | 5947 | 7083 | 9400 | 11100 | 11907 | 100 |
| TTOB | 5454 | 6543 | 8600 | 10140 | 10860 | 99 |
| HEO & Equiv Level | | | | | | |
| HEO | 4700 | 5718 | 7250 | 8555 | 9184 | 95 |
| PTO II | 4720 | 5739 | 6901 | 8100 | 8697 | 84 |
| HSO | 4454 | 5448 | 6737 | 7999 | 8589 | 92 |
| TTOI | 5900 | 5937 | 7660 | 9050 | 9714 | 98 |
| TTOII | 4215 | 5187 | 6750 | 7965 | 8553 | 102 |
| EO & Other Grade | | | | | | |
| EO | 3670 | 4579 | 5700 | 6745 | 7247 | 97 |
| PTO III | 3925 | 4869 | 5820 | 6900 | 7413 | 88 |
| PTO IV | 3450 | 4326 | 5253 | 6300 | 6771 | 96 |
| SO | 3527 | 4415 | 5486 | 6480 | 6964 | 97 |
| TTO III | 3780 | 4706 | 6100 | 7170 | 7702 | 103 |

## SPECIFIC PAY PROBLEM AREAS IN NAVAL DOCKYARDS

### HEO - PTO II Horizontal Relativities

Before we examine the specific issue of the horizontal pay differential between the PTO II and HEO, it is important that we are aware of the full extent of changes in pay relativities which have occurred between the P&T and Administrative groups. Set out at Table 3.6 is the changes in pay relativities for the period 1975 to 1981. Without exception the percentage increase of P&T group pay is less than that for equivalent administrative grades. This factor perhaps more than anything has crystallise the general feeling of disenchantment among P&T grades over pay into persister dissatisfaction. These differentials are a consequence of the mechanics of Pay Research because the P&T and Administrative groups are compared with different groups of employees in the Public and Private Sector for pay comparability purposes.

Turning to the specific case of the PTO II - HEO pay differential, its existence simply strengthens the PTO II's view that they are an unduly disadvantaged grade within a disadvantaged group. It is quite logical therefore, for the PTO II grade in particular and the P&T group in general to transfer notionally this situation to outside their environment thus reinforcing the belief that a large unfavourable pay differential exists between P&T grades in the dockyards and comparable groups in Private and Nationalised industries. This perception of the pay situation by P&T grades illustrates the existence of a fundamental misunderstanding of the mechanics of the system pay research, which had been used until 1980 for determining their levels of pay. However, as behaviour patterns are developed by what is perceived, it is understandable, therefore, that our subjects believe that they have a justifiable grievance. The existence of this grievance over pay has important ramifications for managerial motivation. This issue will be further discussed.

Technical Supervisor (PTO IV) - Industrial Differential

A controversial pay problem exists between Industrial craft grades and their Technical Supervisor (PTO IV). This problem may be best illustrated by data appertaining to Industrial craft grade pay rates for July 1977. (Table 3.7). This data which has been agreed by both the IPCS and the Civil Service Department was presented to the Arbitration Tribunal in 1979 by the IPCS to support their case that Non-Industrial (PTO IV) pay compares unfavourably with Industrial grade rates.

Table 3.7.

Industrial Craft Grades - Average Payment

| Average Payment of Top | All Craft Employees |
|---|---|
| Top 5% | £119.05 |
| " 10% | 112.51 |
| " 15% | 108.48 |
| " 20% | 105.50 |
| " 25% | 103.27 |

The Arbitration Tribunal awarded the PTO IV grade a maximum of £100.63, a figure below the basic weekly earnings of the top 25% of all craftsmen. Since then the problem has worsened as incentives payments have grown at a faster rate than basic pay. This has undoubtedly been heavily influenced by the introduction of the Dockyard Efficiency Scheme (DES). Some care should be exercised in making direct comparisons as the Industrial Craftsmen pay includes craft allowance. Nevertheless there is some substance to the IPCS's case, but on the other hand there is a body of opinion who would argue that it is not unreasonable to expect a young PTO IV diagnostician to earn less than a 50 year old skilled craftsman.

Part of the problem may be found by an examination of Table 3.5 which shows a Pay Band width of £800 for PTO IV grades. There are six points on the scale which is expected to accommodate the whole spectrum

of PTO IV seniority ranging from first promotion to 35 years in the grade. A reason for the narrow PTO IV band width is due to the number of tiers of management, obviously if there are fewer tiers of management then there is scope to increase the width of pay bands.

High Gross Earnings

Basic salaries of Non-Industrials may be enhanced by three types of payment:

a. overtime payments

b. Shift Disturbance Allowance (SDA)

c. Trials Pay.

For convenience we will examine the effect of overtime payments and shift disturbance allowance first and deal with trials pay separately.

Overtime and Shift Disturbance Payments

Overtime payments can be earned in one of 2 ways, either as straight overtime worked on a regular or casual basis or as part of a regular shift pattern ie any hours in excess of conditioned hours. Casual overtime is normally worked by PTO IIs whereas overtime accrued by PTO IVs normally arises from shift working, for PTO IIIs it is a mixture of both.

Table 3.8

Table Showing Distribution of Overtime and Shift Disturbance Payments Period Oct 1980 - Feb 1981

| | NUMBER | | | |
|---|---|---|---|---|
| £ Per Week | PTO IV | PTO III | PTO IV | |
| 0-50 | 240* | 130* | 20* | *Estimated |
| 50-75 | 85 | 45 | 5 | |
| 75-100 | 60 | 30 | 3 | |
| 100-125 | 14 | 6 | 1 | |
| 125-150 | 6 | 2 | 0 | |
| 150-175 | 3 | 0 | 0 | |
| 175-200 | 2 | 0 | 0 | |

Quantifying the overtime situation in financial terms shows that in early 1981 34% of PTO IVs, 20% of PTO IIs and 7% of PTO IIs earned more than £200 per month from a combination of overtime and shift working. Table 3.9 shows the distribution of overtime and shift working earnings by grade. Enhancements for shift working is made up of two elements.

a. Overtime payments

b. Shift Disturbance Allowance SDA.

It is estimated that the majority of PTO IVs and PTO IIIs with the exception of Drawing Office grades have their salary enhanced by varying amounts from this source.

Comparing these earnings to data in New Earnings Survey 1981 show that shift and overtime payments account for an average of only 5% of Non-Manual gross earnings. It is evident from a cursory examination of the Rosyth situation, overtime and shift working account for more than 30% of gross salary for a significant number of P&T group staff.

Managerial policy coupled with an indifferent approach to the control of overtime and shift working budgets contributed to these high enhancements. Let us illustrate the point. SDA is paid at two rates, 12% and 20%, the higher rate when a night shift is included in the shift pattern. It has been practice, if a day and backshift pattern is worked, to adjust working hours so that the backshift ends at 0030, thus qualifying the whole shift pattern for the 20% rate. This was done as policy to increase the differential between the Industrial and his Supervisor. Overtime has also been progressively consolidated into shift patterns, for example, supervisors work a half hour overtime at meal breaks to accommodate the mismatch between Non-Industrial and Industrial meal breaks. Over the years it has become common practice for those not directly supervising Industrial grades to work overtime at meal breaks.

Shift change-overs are another area where overtime can be accumulated. It had been custom for supervisors on shiftwork and responsible for complex jobs to extend their shift hand-over period, by an half hour to one hour. This practice spread until it became the established norm. Although a half hour overtime may seem trivial, it amounts to 2.5 hours per week which equates to 3.75 pay hours at £2.80 per hour (1980) which equals £7.50 per week for a PTO IV.

The introduction of cash limits in 1980, resulted in overtime and shift working practices being subjected to strict scrutiny so that tight headquarter's budgets could be met. It is perhaps fair to say that only a perfunctory gesture had been made towards the control of overtime. However, since 1980 a more discriminating approach has been adopted towards overtime working within shift patterns. Rules for meal breaks, shift change-overs, and overtime have been rigidly applied. The control of overtime budgets and working has been elevated from PTO II to Principal grade. This decision resulted from the fact that PTO IIs now qualify for overtime payments in exactly the same way as PTO IIIs. This situation was brought about by the PTO IIs salary being less than the HEO grade, the HEO salary is used as the bench mark for determining entitlement to over-time etc.

Attempting to control these high gross earnings has created problems for senior management. Because P&T group staff have become accustomed to high earnings they have adapted their life style accordingly and taken on commitments commensurate with their gross salary. Quite naturally, therefore, attempts to eradicate past bad practices which were a function of lax management, have been stubbornly resisted by the Non-Industrial Trade Unions (NITUs). The NITUs argue that it is unfair to expect their members to accept a decline in living standards simply because Senior Management now choose to enforce rules which have been until

recently, conveniently set aside, albeit with reservations.

High gross earnings have placed the P&T group in a favourable position vis-a-vis the Administrative group at Rosyth. There is absolutely no doubt that the P&T group is significantly better off than any other occupational groups at Rosyth, but this does little to moderate the sense of inequity created by the disparity between the basic salaries of the two groups. In addition, these high rates of overtime and shift working enhancements have created a differential problem within the P&T group. This problem will be examined to ascertain its affect on the attractiveness of the promotion reward.

Trials Pay

A second, but less universal type of enhancement is trials pay. This is an allowance paid to certain P&T grades and other specialist groups employed in carrying out trials in submarines, but more specifically nuclear submarines. Trials pay is an index-linked enhancement, which is paid in either half or single units; a unit of trials pay is 1/365 of the appropriate basic annual salary. To qualify for a half unit requires working on a designated trial for more than one hour in a shift, a whole unit is paid for working more than 4 in a shift.

At Rosyth only about 12% of the P&T grades work in posts which qualify for trials pay. Because the payment of trials allowance is linked to specific phases of the refit, the trials and refuelling phase, it is difficult to calculate an annual average value for trials pay for individuals. However, based on a two-year refit cycle for the average nuclear refit, it probably works out at between 90 and 100 days additional pay per annum; it is a significant enhancement for those in receipt of it.

Trials pay is paid to reward those conducting trials for the higher responsibility supposedly involved. A comparison between trials which attract trials pay and those which do not, suggests that there had been

a certain amount of randomness in the selection of trials for this monetary allowance.

A feature of trials pay is that the greater the duration of the trials period the greater the total sum paid out in trials allowance by the organisation. As an incentive system trials pay is rather ineffective, it rewards inefficiency, the longer the trials period lasts the more money individuals obtain. In other words it rewards one thing, inefficiency, whilst hoping for something else - efficiency. A feature of trials pay is that it has the potential for creating internal group strife because it is paid on an individual basis. Each group has elaborate, but unofficial procedures, for ensuring an equitable distribution of trials pay amongst group members.

Owing to the way in which testing is structured, no 2 test groups earn the same amount of trials money, the amount can vary by a factor of two or three. This differential between groups can be further accentuated by managerial effectiveness, a well managed and efficient group could be rewarded by a reduction of their trials earning. This aspect of trials pay makes effective management of test groups difficult.

Practical difficulties are created by the differing amounts of trials pay available to each. Individuals in trials groups which qualify for a significant amount of trials pay are reluctant to be moved to a low paying group. A trials group which fails to keep up to its testing schedule is reluctant to have its members increased as this would probably result in a reduction of trials pay.

Trials pay not only creates problems between trials groups, but also causes problems with production centres as the Non-Industrials responsible for the installation and erection of systems do not receive this allowance. It can be shown that some of the tasks carried out by the production centres require greater skill in some instances than does conducting an operational trial on the same equipment.

The whole question of trials allowance is made more anomalous by the fact that Industrials working alongside Non-Industrials on trials do not receive any trials allowance. Situations exist where a Non-Industrial may be controlling a flushing operation on an intermittent basis receives trials pay, but the Industrial who is manning the flushing rig on a continuous basis receives no additional pay.

Unlike enhancements paid for overtime and shiftworking trials pay is a contentious and divisive allowance; indeed there is little apparent justification for the payment of the allowance apart from custom and practice. Perhaps the biggest indictment of trials pay is its potential for encouraging inefficiency.

Our research suggests that trials pay, as administered in the dockyards is not paid to comparable groups of workers in the ship building or ship repair industry. So the indications are that trials pay as currently structured is unique to the dockyards. Overtime and shift working payments are common place in Industry. However, the elaborate and complex rules relating to overtime premium rates and the difference in premium rates between various Non-Industrial grades is unusual. For example, the cross-over between PTO IV and PTO III gross earnings occurs when more than twelve hours overtime is worked.

Motivational Implications of Pay Problems

In our examination of specific pay problem areas in the Dockyard we discussed two areas concerning differentials, the PTO II- HEO, a horizontal relativities problem and the PTO IV/Industrial craftsman, a vertical relativities problem. One way which this might be examined is by using the Expectancy approach.

Let us assume that the Non-Industrial makes some objective estimate of both his effort - performance (E-P) probability and the various performance - reward (P-R) probabilities for the situation he finds

himself in Lawler (1971). Once he has carried out this process, he will be motivated to perform well to the extent that he feels he can perform well and to the extent that he feels good performance will lead to positive value outcomes. Assuming that the Non-Industrial is motivated to perform well, he will perform well if he has the ability, the correct perception of job and the situational factors are correct. Once the individual has performed well or badly he may or may not receive the rewards that he perceived were likely to result from good performance. Thus if th individual performs well and does not receive the rewards this will weaken his P-O beliefs and according to the model he will be less motivated next time round. This examination shows that if basic salary is considered by the Non-Industrial to be a valued reward, then because he believes his basic salary compares unfavourably with comparable groups or is deemed to be less than that paid to subordinates, in the case of PTO IVs, he is unlikely to be motivated to perform well. Thus from a theoretical aspect, it may be subjectively assessed that the dissatisfaction generated by the horizontal relativities between the PTO II and HEO probably far outweighs the cost of eliminating the differential. Although similar arguments could be applied to the PTO IV Industrial craftsman situation, the issue is not as clear cut, and anway the organisation has taken some action, relating to overtime premiums to ensure that a positive vertical differential exists between the two groups with respect to gross pay.

A further aspect of the horizontal relativities problem currently existing between the HEO and PTO II which merits consideration is the status dimension. Lawler (1971) states that it is not high pay as such which carries status, but what pay is taken to represent. In other words pay is simply a convenient symbolic way of recognising accomplishment in our society. The majority of PTO IIs will readily concede that the

money difference is relatively small, but because of the openness of the pay system, the public diminution of status and prestige far outweighs the financial difference. The important point is that the organisation is perceived as assessing their value as somewhat less than it was in relative terms, compared with 1975, when no differential existed between the two grades. Lawler (1971) suggests that by making salaries public it will sensitise people much more to small differences in salaries and may cause people to be much more concerned about the relative size of their salaries; the group whose salary has decreased relatively may experience a feeling of inequity. Adams (1965) argues in his version of equity theory that satisfaction is determined by a person's perceived input - outcome balance, obviously if a PTO II feels he puts more in and gets less out, than a HEO, he is unlikely to feel satisfied.

Another aspect of the pay system which merits attention, in terms of equity, is trials pay. We have already identified the groups who are eligible for this payment and mentioned that Industrial grades working with trials teams are not paid the allowance and we also noted that production centre Non-Industrials do not receive this payment. This coupled with the fact that the selection of Test Forms which qualify for the payment appears to have been rather arbitrary with little attention paid to the degree of complexity of those trials selected. These points which have been mentioned are general knowledge amongst the majority of Production Department Non-Industrials and there is little doubt, confirmed by my own observation, that trials pay creates intense feelings of inequity amongst Production Department personnel. There is nothing subtle or elegant about the allowance which would permit it to be packaged in such a manner as to make it even remotely palatable to other groups. How has the allowance been permitted to exist?

There are two main reasons. Firstly according to local IPCS officials, it is their policy to retain allowances, ie, what they have got they would wish to keep, irrespective of its divisiveness. Secondly, some of the recipients of trials pay are required to undertake specialist courses, varying in length from 2 to 9 weeks. Thus it is conjectured that there would be a reluctance by dockyard management centrally (CED) to abolish this allowance and risk a confrontation with a group where skills are not readily replaceable in the short term.

The picture which emerges from an examination of the motivational implications of current pay problems in the Dockyard is confused. Nevertheless there is evidence to support the view that both the PTO II and PTO IV grades do have a genuine grievance. The existence of a relativities problem particularly between the PTO II and HEO is certainly not conducive to the maintenance of high motivational behaviour among PTO IIs. The net affect of trial pay is probably to confuse a less than satisfactory situation particularly as approximately only 10% of P&T group Non-Industrials are in receipt of it at any one time.

## Current Payment System Effectiveness

To conclude the examination of the pay system as administered and applied to lower management, it is necessary to address the central question, how effective is the current payment system in stimulating organisational effectiveness or more simply put, does the organisation get value for money? The straight answer would appear to be no, the Dockyard Study Report (1980) highlighted a problem of declining productivity in Naval Dockyards. Why has this decline occurred, particularly in view of the fact that, contrary to popular belief, gross earnings at Rosyth are relatively high as our analysis of pay enhancements has shown? Why for example are these relatively high levels of gross

earnings not generating levels of managerial motivation and hence organisational effectiveness comparable to those found in successful companies, indeed the type of company used by the PRU for determining civil servants pay rates?

It is speculated that one of the reasons why these relatively high levels of gross earnings are not generating levels of productivity comparable to private industry is associated with the fact the pay system is not linked to dockyard output. The link between pay and performance for Non-Industrial grades is extremely tenuous in the dockyard. The hypothesis is, therefore, that by establishing a link between performance and pay, it should strengthen managerial motivation. The ACAS Advisory Booklet No 2 (1981) makes the point that over recent years there has been an increase in the number of payment systems which link pay to the output or profitability of the organisation and indeed Megaw (1982) recommends a Performance related pay system for the civil service.

The challenge for dockyard management is to devise a payment system which will establish a definite link between pay and performance. Currently there appears to be an over-dependency on overtime and shift-working for pay enhancement, more than 30% of gross earnings in many instances. Managerial motivation is not stimulated because of the very tenuous link that this type of payment establishes between pay and organisational performance. It is rather nonsensical for Industrial grades to participate in a direct financial incentive scheme (DES) whilst the bonus element of their supervisor's salary, in common with its basic element, is determined by a system of pay comparability with private industry. It is argued that the first step in the process of strengthening the link between pay and performance for Non-Industrials is the recognition that Non-Industrials working in dockyards require a different sort of

motivational treatment to the rest of the civil service. In simple terms dockyard management must endeavour to replicate conditions which exist in successful private companies.

It is evident from this examination of the current system of payment that there is potential for improving managerial motivation by a partial redistribution of pay enhancements from overtime and shift-work payments to some form of financially based incentive scheme. The 'Time rates' of payment system is deemed inappropriate to the particular circumstances appertaining to the employment of Non-Industrial civil servants in an industrial organisation. Although the Time rates system is easily understood by staff, is simple and cheap to administer, this in no way compensates for its lack of potential to promote organisational effectiveness.

The development of a pay system to meet the needs of the dockyard will be explored in Chapter 7. It is concluded from the above analysis that the key to improving dockyard output is the structuring of a pay system which will establish a strong link between pay and performance.

# CHAPTER 4

## THE SYSTEM OF PROMOTION

### Introduction

According to Lawler (1973) the two most obvious rewards that an organisation can give are pay and promotion. He goes on to assert that the giving or withholding of these rewards and the way that they are administered can have a marked influence on employee motivation. In this Chapter we shall focus on the promotion reward. More specifically, the importance of promotion in the Civil Service will be discussed and the current promotion system examined and described in detail in order to gain an appreciation of the promotion process.

Lupton et al (1983) in his analysis of the motivational influences of salary systems asserts that the promise of high future rewards in return for present effort and achievement may be used as a justification for a particular salary level. These future or deferred rewards may take the form of prospect of promotion with accompanying high salary and status. We shall examine the interaction between pay and promotion to determine how overtime earnings and perceived opportunities for overtime working can modify the desire of individuals to seek promotion and finally, speculate how these factors may influence Non-Industrial behaviour.

### Importance of Promotion in the Civil Service

In Chapter 1 we identified that promotion was the main form of reward for merit in the Civil Service. Because there is no form of merit payment for Non-Industrial Civil Servants promotion takes on an added significance. Thus promotion in the Civil Service is a pre-requisite for a pay rise, other than the annual round, which may become bi-annual in response to current Government thinking. However, this explanation only partly answers the question concerning the importance of promotion. A useful starting point is to broaden the issue

and ask the question, why do organisations give extrinsic rewards such as promotion and merit pay? Apart from the obvious reason of sustaining the organisation, perhaps the simplest and most valid answer to the question is to motivate people to behave in ways they might not otherwise behave.

As promotion provides a method for Civil Servants to obtain additional pay for good performance, it is difficult to judge whether it is the extra pay or the status associated with the higher grade which provide the motivation to seek promotion. Organisations have relatively little control over the value people place on extrinsic rewards as this is largely a function of a person's needs. Organisations can, however, influence what employees have to do in order to obtain rewards. There is a strong tendency for individuals to react to the offering of important rewards by doing what is required in order to attain them. Thus how an organisation distributes rewards has a very important influence on behaviour of individuals more succinctly put by Porter et al (1975) Organisations tend to motivate the kind of behaviour they reward. It is also argued by Porter that individuals do not simply want more extrinsic rewards; rather, they desire what they feel is a fair level of reward. Hence depending upon how a reward is perceived by the individual, an organisation's reward system may or may not motivate the kind of behaviour it was designed to motivate, and the individuals may or may not be satisfied with the rewards they receive from it. Whether employees are highly motivated or not will depend on how attractive the rewards are and what employees feel that they have to do to obtain those rewards which are desired. This point has important connotations for the P&T group in the wake of the decision to close Chatham and run-down Portsmouth dockyards. Although the financial reward associated with promotion may be attractive for this need not necessarily act as an incentive for individuals to seek promotion if, for example, promotion opportunities are perceived as being few. A contracting industry is likely to offer fewer promotion opportunities than an expanding one. Similarly too few grades may make promotion prospects poor. This point will be relevant to our discussion concerning the number of tiers of

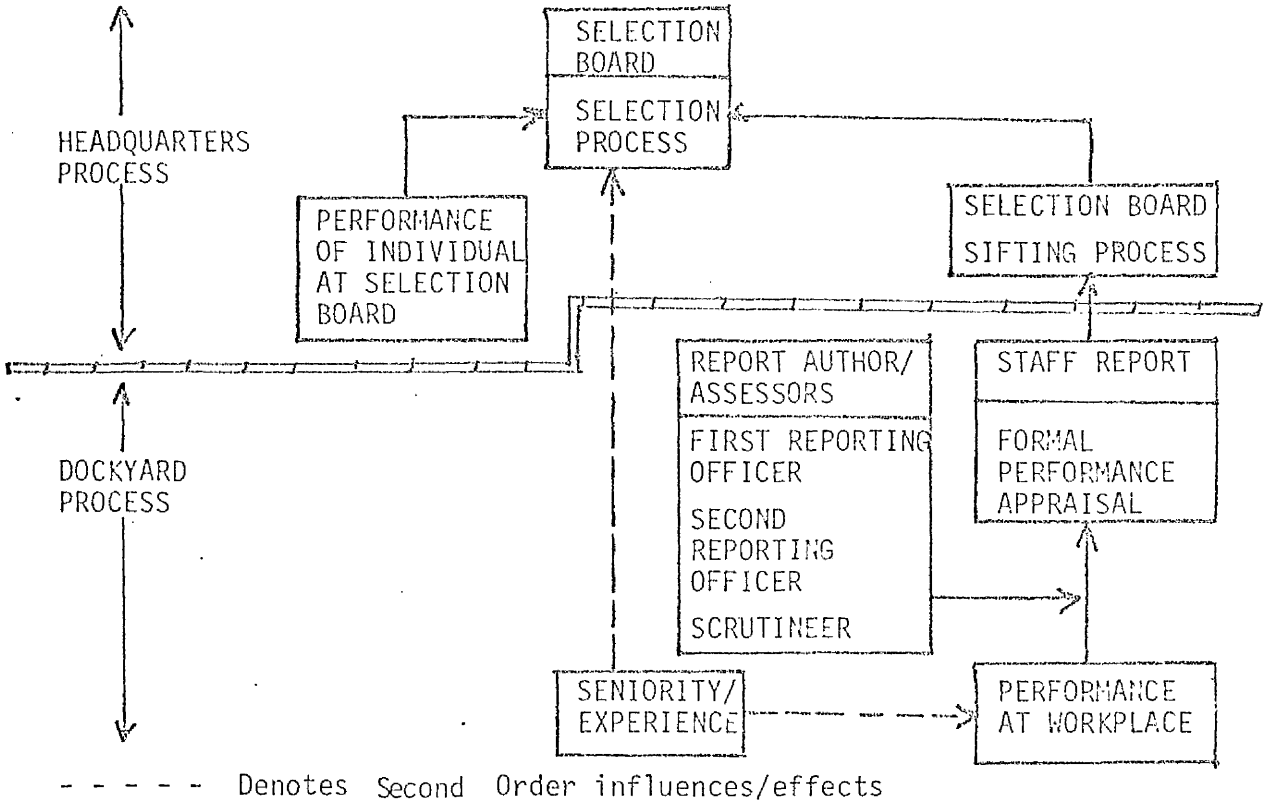
management in dockyards.

## Civil Service Promotion System

The Civil Service promotion system is based on an elaborate and detailed staff report which is rendered annually. Selection of staff for promotion, up to Principal grade, is done by interview board. The staff report is the vehicle which enables staff to be selected for a promotion interview, but it is the candidate's performance in front of the selection board which determines whether or not he is selected. Thus the process has two distinct, but nevertheless related phases. We shall examine both parts of the process, dealing firstly with the Staff reporting aspect and secondly the method of selecting staff for promotion.

A model of the promotion system as it applies to the dockyards is set out at Figure 4.1. The main features of the system will be discussed in the following section. An important feature of the process is that it has a dockyard and headquarters phase.

Figure 4.1. Model of Current Dockyard Promotion System



Reporting System

The method of assessing the performance of Non-Industrials is based on a very comprehensive staff report which is written by the individual's immediate superior. A report is rendered on each Non-Industrial annually. The written report is passed by the author to his superior, the Second Reporting Officer, for vetting. The normal procedure is for the Second Reporting Officer to conduct a Job Appraisal Review (JAR) with the subject. Prior to the JAR the Second Reporting Officer discusses, with the author of the staff report, the subject's performance over the past year. Plans for the subject's career development are appraised and altered as appropriate. The Second Reporting Officer and the author would also discuss any areas of the subject's performance where, with proper guidance improvement could be expected.

The JAR is a structured interview conducted with the aid of a check-off sheet. The core of the interview is an in-depth appraisal of the content of the subject's staff report. The purpose of this detailed assessment is principally to provide the subject with feedback on his performance over the past year and to identify any areas of weakness which are deemed to be within the subject's capability to improve. Discussions also include work targets for the forthcoming year and whether the subject would benefit from being placed on a training course. Finally the subject is told whether or not he is recommended for promotion.

The JAR session, which lasts approximately one hour, is concluded by the Second Reporting Officer setting out the subject's work targets for the forthcoming year along with any recommendation for training and a brief note concerning the subject's preferences for future jobs. The JAR check sheet is signed by the subject who retains a copy and copies are also forwarded to the subject's superior and the Personnel Department. Check sheets should be periodically referred to so that progress towards targets can be monitored.

The Personnel Department are the custodian for staff reports. Before reports are filed and copies forwarded to the CEDs department at Bath, Non-Industrial Trade Union scrutineers, who are appointed locally from within the membership, examine each staff report, checking amongst other things, for a consistency of reporting standard across the dockyard. The staff report scrutineers are authorised to discuss the content of staff reports with either the First or Second Reporting Officers.

The Civil Service staff reporting systems fulfills the four main purposes deemed essential by the literature for an effective performance appraisal namely, performance feedback, determining promotion potential, training and development needs and finally considering retention or discharge. The success of the appraisal system is heavily dependent on frankness, confidence and discriminatory staff reporting by superiors. However, there is a fairly wide-spread belief that staff reports lack discrimination Megaw (1982).

## The Selection Process

The selection process which we shall examine is used for the selection of staff up to principal grade, although the procedure for selecting PTO IV grades from within the Industrial grades is different. Table 4.2 shows the number of staff by grade at Rosyth, the ratio between the grades is similar at other dockyards. Although the concept of a career grade is not explicitly stated, it is generally acknowledged that the majority of staff will attain the grade of PTO III and indeed, the general expectation among PTO IVs is that they will be promotec to at least PTO III grade.

Table 4.2 P&T Grades Employed at Rosyth in 1981

| Grade | Number Employed in Rosyth Dockyard |
|---|---|
| PPTO | 28 |
| PTO 1 | 33 |
| PTO II | 130 |
| PTO III | 380 |
| PTO IV | 640 |

Selection boards are normally convened annually, but in 1980 no selection board was convened for PTO III to PTO II. The process starts with headquarters convening selection boards and stipulating the number of promotees required. To aid our description of the process we shall take as a specific example the PTO III to PTO II selection process. Suppose 20 PTO IIs are required by CED department, the selection board which consists of a chairman plus two would endeavour to select approximately 60 candidates for interview. The headquarters personnel section would pass the staff reports of all PTO IIIs who had been assessed either as 'Well Fitted' or 'Fitted' for promotion. In 1981, the selection board had to select 60 candidates for interview from a field of approximately 1000 PTO IIIs. The actual number that the board interview is swollen to around 100 by some PTO IIIs invoking their automatic right to appear before a selection board. Five years in a grade earns the Non-Industrial the right to appear before a selection board. It is generally acknowledged that Non-Industrials value this right suggesting that there is a certain lack of confidence in the Staff Reporting system with respect to promotion.

Each candidate is interviewed by the selection board for about 45 minutes. The candidate's performance is scored by each member of the board. Marks are awarded under the following headings set out in Table 4.3.

Table 4.3 Promotion Board Mark Allocation

| Attribute | Maximum Score As % of Total |
|---|---|
| Bearing & Presence | 15 |
| Technical Knowledge | 35 |
| Management Potential | 35 |
| Breadth of Knowledge | 15 |

Thus virtually no attention is paid to the staff report other than it may influence the board if there were a number of candidates with similar marks. Thus a Non-Industrial who has worked diligently and conscientiously to merit a series of 'Well Fitted' for promotion may find himself unduly handicapped at the

the interview board if he is unable to articulate lucidly. Indeed many competent individuals regularly fail promotion boards because they are unable to create a good impression or do themselves justice in the unnatural surroundings of the interview room. We would question whether the brief conversation on broad topical issues, which is the content of most promotion interviews, adequately test the managerial abilities of candidates. There is no doubt that the present system places a lot of emphasis upon articulateness in a stress situation, certainly a managerial attribute, but nevertheless only one among many. There is an indication that the current method for selecting staff for promotion is not popular amongst P&T grades at Rosyth. This is an issue which the survey will investigate.

Another aspect of the current promotion process which tends to further degredate the tenuous link between performance and the promotion reward concerns the lack of discrimination by superiors when assessing their subordinates performance. This point is clearly illustrated in Table 4.4 which shows the average distribution of staff in the six categories of performance.

Table 4.4 Distribution of Staff by Performance Category

| Performance Category | Average % of Dept. Staff |
|---|---|
| Outstanding<br>Very good | 40 - 75 |
| Good | 20 - 50 |
| Fair<br>Not Quite Adequate | 5 - 10 |
| Unsatisfactory | 0 - 1 |

Source - Megaw Report 1982

The Seniority Dimension

An aspect of the promotion process which merits discussion is the role of seniority. Fulton (1968) was critical of the undue emphasis which seemed to be placed on seniority by promotion boards.

It was the view of Rayner in 1980 that seniority still had a disproportionate influence on determining who was or was not selected for promotion, the Buggins turn syndrome still had a niche. However, the head of the Civil Service, Sir Ian Bancroft, partially defended a seniority biased system by stating that there must be a perceived career for the able as well as the brilliant. This view has substance as a promotion system which rewards loyal and faithful service may be just as effective at motivating individuals to perform satisfactorily as a promotion system designed to promote a high degree of competitiveness amongst staff. Promotion which is perceived as being the reward for a sustained period of satisfactory performance may be more beneficial to the organisation in the long term than a system which provokes highly competitive behaviour.

It is suggested that a promotion system based on seniority is consistent with the Civil Service's culture where stability and continuity are a necessary feature. The knowledge by Non-Industrials that the promotion reward is related linearly to seniority may act as a stimulus for sustained effective performance provided there is a perceived performance threshold below which promoti would not be attainable. The staff performance appraisal system in Civil Service incorporates such a feedback mechanism, the annual JAR. At these sessions subordinates are given an indication of their promotion prospects. This can only be an indication because individual dockyards do not have any direct control over which members of their staff are promoted.

A seniority biased promotion system also has certain appeal where a high degree of subjectivity is associated with performance measurement because of the nature of work done in the organisation. An absolute method for measuring performance would be difficult to set up in an organisation, such as the Civil Service which is involved in a high proportion of clerical and administrative work. In the industrial environment of the dockyard there is greater scope for introducing an assessment system based on work targets. Opportunities

exist in other areas of the Civil Service to develop a more objective approach to staff reporting. However, a more objective reporting system provides no guarantee that reliance on seniority would necessarily be lessened particularly if staff reports lacked discrimination. When confronted with a group of candidates all similarly assessed, seniority becomes a tangible dimension on which to base choice. Thus we consider that if promotion was the concern of each dockyard and that candidates for promotion were reasonably familiar to the selection boards, then seniority would further decline in importance as a variable in the promotion process.

Interaction Between Promotion and Pay

The interaction between promotion and pay deserves attention principally because of the different rates of overtime premium between PTO III and PTO IV grades. Set out at Table 4.5 are the various multiplication factors used to transform overtime clock hours to pay hours.

Table 4.5 Grade Versus Overtime Premium Rates

| Grade | Weekdays | Saturday | Sunday |
|---|---|---|---|
| PTO II | x1 | x1 | x2 |
| PTO III | x1 | x1 | x2 |
| PTO IV | x1.5 | x1.9 | x2.1 |

Table 4.6 PTO III and IV Pay Scales (1980/81)

PTO III Pay Band £6100 - 6900

PTO IV " " £5500 - 6300

Tables 4.5 and 4.6 clearly illustrate the problem of cross over of gross (a point already discussed in Chapter 3) earnings when both PTO III and IV grades work similar amounts of overtime during weekdays and Saturdays. The PTO IV

premiums were pitched at these particular levels to ensure a differential between PTO IV grades and Industrial grades. It is not unreasonable to assume that a PTO IV accustomed to earnings enhanced by regular overtime may be somewhat reluctant to accept promotion if the same amount of overtime as a PTO III resulted in less gross pay or indeed, if there was uncertainty whether a move to a new post, on promotion, might result in less opportunity for overtime. As individuals tend to adopt life-styles commensurate with their earnings, promotion is unlikely to be looked on as a valued reward if it is likely to entail a decline in an accustomed standard of living. Because opportunities for overtime in the dockyard tend to be related to certain areas of work, it is suggested that the desire for an individual to gain promotion may be significantly influenced by the trade centre and department in which he works. We have already emphasised this point by focusing on the PTO IV to PTO III promotion, the argument concerning uncertainty about availability of overtime applies to a lesser degree for those promoted from PTO III to PTO II.

The situation we have discussed may lead to intense disillusionment among certain individuals if promotion is considered an attractive reward, but owing to economic considerations promotion has to be avoided. In other words self fulfilment may have to be denied to sustain an accustomed standard of living.

Summary

The two main points to emerge are firstly that the link between performance and the promotion reward is tenuous. Secondly financial considerations in some circumstances, and depending on area of work in the dockyard may influence the attractiveness of the promotion reward. There is a further issue concerning the quality of staff reporting which not only diminishes the objectivity of the system, but, more importantly, may deprive the dockyard of the services of good managers. All these issues will be considered in the formulation of an alternative promotion system in Chapter 7.

# CHAPTER 5

## METHODOLOGY OF SURVEY

### Introduction

In order to gain an appreciation and understanding of attitudes and issues pertinent to the study of rewards, it was necessary to ask questions to obtain information. This chapter will deal with the mechanics of conducting an attitudinal survey. The original intention had been to administer the questionnaire at Chatham to provide a control group. Chatham and Rosyth dockyards are heavily involved in a similar type of work, nuclear submarine refitting. However, the announcement in June 1981 of the decision to close Chatham totally changed the frame of reference of Chatham's Non-Industrials and thus invalidated the idea of using Chatham as a comparator group.

The survey was conducted at Rosyth with the agreement of the General Manager and the concurrence of the local IPCS chairman whose members were to be the subject of the study. The core of this chapter concerns the design of the questionnaire along with comments on the relevance of questions to major issues affecting Non-Industrials at Rosyth.

A brief description of the way the target population was codified and respondents selected will be given. Prior to printing, the questionnaire was tested amongst a small sample of Non-Industrials to eliminate, as far as practicable problems of ambiguity and badly structured questions.

The formal questionnaire was supplemented by a number of semi-structured interviews. This was done to gain a better understanding and appreciation of the central issues relating to pay and promotion. The interviews were conducted mainly amongst PTO II and III grades as well as a small number of senior management.

Although the structured interview technique had been considered as an

alternative to the mail survey method to gain information, it was rejected for three reasons. Firstly the size of the sample population, 385 P&T grades, would have entailed conducting in the region of 800 man hours of structured and semi-structured interviews in order to gain a comparable amount of information. Secondly the mail survey method enabled the information to be collected over a short period of time. This was an important consideration because during the period that it was planned to administer the questionnaire events in connection with the Non-Industrial civil servants pay claim for 1981/82 were gathering momentum.

Thirdly the mail survey technique afforded the author a degree of anonymity. As the author was a serving officer the face to face interview had the potential for provoking emotive behaviour. However, this initial concern was not realised because of the willingness of the majority of P&T grades to discuss the issues confronting the dockyard.

Attitudinal Survey

The principal reason for conducting the survey was to gain information so that the importance of rewards available to P&T grades might be gauged. Just as important, however, information was required to identify scope for change and to provide some idea of the direction that this might take in the dockyards.

An important factor which must be taken into account in the structuring and administering of a questionnaire is that it might provoke emotive behaviour. The degree to which this may affect the quality of information can only be assessed subjectively. For example, when the questionnaire was administered in February 1981, the question of pay was a topical issue and obviously this factor therefore, must temper our interpretation of pay related questions.

A further factor which could affect the quality of respondents' replies concerns the problem of collusion where a survey is conducted among a relatively close knit population. This was not considered to be a significant problem because of the geographical dispersal of respondents. The fact that the future of the dockyards had been the subject of a report (Dockyard Study Report 1980) meant that discussion among Non-Industrials concerning their future at Rosyth was fairly commonplace and undoubtedly the administering of a questionnaire covering these topical subjects prompted further discussion at the workplace.

Setting Up the Survey

The starting point for the field study was to obtain the General Manager's permission and the Staff Association's concurrnece in conducting a survey among their members. Before the questionnaire could be administered it was agreed that it should be vetted by both parties. This process elicited a lot of useful information which was subsequently incorporated in the questionnaire. Definition of the purpose of the study enabled its objectives to be systematically redefined and the relevance of the questions to the dockyard situation improved.

Needless to say, the attitude of both Staff Association and senior management was crucial to the success of a descriptive type survey. It was recognised that the study had a degree of sensitivity associated with it. The fact that the Staff Association had taken a particular stand on the question of incentives contributed to the view that there might have been a certain amount of hostility towards the study. Happily, however, the study received every co-operation and encouragement from the senior officials of the local branch of the IPCS.

Questionnaire Design

The starting point for the design of the questionnaire was to identify the important variables in the reward equation. The principal rewards are deemed to be pay and promotion, Lawler (1973) stated that as these are

given in all work organisations they form the core of any system of reward. He further asserts that with few exceptions, statements about their effects on motivation and satisfaction hold true for other intrinsic rewards.

Complementary to the pay dimension is the related factor of incentives and cognisant that any effective system of reward may have to incorporate an incentive component it was considered vital that the attitude of the Non-Industrial to the question of incentives be investigated. A convenient vehicles for this purpose was provided in the form of the Dockyard Efficiency Scheme (DES). This scheme was negotiated between management and trade unions represented on the Ship-Building Trades Joint Council to improve Dockyard efficiency and the remuneration of Industrial employees by the payment of appropriate self-financing bonuses. The scheme was extensively briefed to all managerial grades by a team of professional briefers over a period of 6 weeks. This took place in late 1980. Thus the mechanics of the scheme were well understood by all P&T grades and this provided an excellent opportunity to ascertain the attitude of Non-Industrials to incentive schemes in general. The intention was to deduce the attitude of Non-Industrials to incentive schemes by analysing their responses to questions relating to the DES.

The second important reward dimension is promotion. The promotion system in the Civil Service is highly structured and staff tend to hold very definite views on the present system. Owing to the reduction in staff there is a general recognition that promotion opportunities will decrease and this will undoubtedly cause a certain amount of anxiety. The effects of decreased promotion prospects will be analysed later in the paper.

An important issue which was touched on by the Dockyard Study was the problem of managerial authority. The Study identified the problem in fairly broad terms and the panacea was deemed to be contained in the New Deal for Dockyards set out in the Study. This dimunition of managerial authority has

a significant devitalising effect particularly on lower management's initiative and creativity. The progressive encroachment of trade union influence on what was once considered the preserve of management, normally in the disguise of participation, has done little to restore the morale of the lower echelon of management. Perhaps the most important factor to establish from the questions on managerial authority is junior line management's perception of its position in the organisation.

The literature emphasises the importanceof job satisfaction in the context of performance, but is less precise about the cause and effect relationship between these two dimensions. Accepting that job satisfaction is the integration of a number of variables such as pay, responsibility, opportunity for promotion etc, each dimension may conceptually be regarded as having a constant assigned to it, the value that each constant takes on being a measure of the importance that each individual assigns to the particular variable. A multi choice question listing a number of variables to determine which are perceived as being the most significant in terms of job satisfaction was included.

It was decided to insert a few questions to ascertain a number of demographic details of the propulation. The length of time that managers had been in the same post and grade were considered pertinent to the study. The average age of the population for example has a bearing on the type of system of reward that would be attractive to Non-Industrials.

The problem of endeavouring to identify scope for change was partially solved by the timely publication of the Dockyard Study in the Autumn 1980. The Study made a number of relatively radical proposals for the future of the Dockyards. A number of these proposals were used to construct questions which were ostensibly deisgned to determine the strength of mood for change. Questions based on the Dockyard Study Report also serve to gauge the depth of

TABLE 5.1 Distribution of P&T Population at Rosyth (1981)

| Grade | Management Tier | Salary Scale £ 1980/81 Scale | Occupational Grouping | | | | | | | | | | Total N |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Estimator | NC Recorder | Technical Supervisor Drawing Office MECH | ELECT | CONST | MECH | ELEC | CONST | Diagnostician MECH | ELEC | |
| PTO IV | 1 | 5500/ 6300 | 84 | 88 | 116 | 82 | 69 | 57 | 27 | 28 | 26 | 70 | 647 |
| PTO III | 2 | 6100/ 6900 | - | 6 | 113 | 64 | 99 | 50 | 19 | 28 | - | - | 379 |
| PTO II | 3 | 7200/ 8100 | - | 1 | 42 | 35 | 37 | 9 | 5 | 7 | - | - | 136 |
| PTO I | 4 | 10,200 | | | | | | | | | | | 33 |
| PPTO | 5 | 11,500/ 13,200 | | | | | | | | | | | 28 |
| SUPR | 6 | | | | | | | | | | | | 10 |
| ASST DIRECTOR | 7 | | | | | | | | | | | | 4 |
| DIRECTOR | 8 | | | | | | | | | | | | 1 |
| | | | | | | | | | | | | | 1238 |

understanding that Non-Industrials have for its proposals. The proposals contained in the Dockyard Study were extensively briefed to all staff and were featured in the Dockyard's own monthly newspaper. Little or no knowledge of the existence of such a strategic plan, by a significant number of the sample, could signify one of two things, either the internal management communication system is not effective or that the staff feel so secure in their jobs that irrespective of what plan emerges there is confidence that it would not affect them.

The addendum contains a brief synopsis of the subject heading under which the questions were grouped.

During the construction phase of the questionnaire advice was sought about the problem of preferential selection of those alternatives positioned at the beginning and end of the list. This problem was relevant to questions 9, 30, 31 and 32. The problem was overcome by printing 4 versions of the questionnaire. The options were cycled through the relevant questions in groups, the size of the group being a function of the total number of choice available in the question. Equal numbers of each version of the questionnaire were administered to each group in the sample population.

The completed questionnaire contained 41 questions and occupied 12 sides of A4 paper including the introductory statement and instructions. Although the questionnaire was designed to be completed in 20 minutes a more realistic time was probably 30 minutes. A number of respondents commented unfavourably on the length of the questionnaire.

Codification of Target Population

The P&T group was categorised according to grade and specialist group, see Table 5.1. A feature of dockyard management is that only ex-craft apprentices are permitted to directly supervise the craft trades, but no such restriction is placed on grades above PTO IV, although practice dictates that they should be of the same discipline as the staff they are

managing. There are however, exceptions; a number of posts in the dockyard are designated functional and these are open to grades of any specialism and are staffed by personnel of any specialisation.

Entry into any of the specialist managerial groups is either by selection or on completion of a technician apprenticeship. The dockyard train 2 types of apprentices - craft and technician. The ratio is about five to one in favour of the craft apprentices. In 1981 the intake was about 120 craft and 25 technician. On completion of apprenticeship the craft apprentices become journeymen and the technicians are promoted to PTO IV and either join the drawing office or work as diagnosticians. It is unlikely that an ex-craft apprentice would be considered for promotion until he had about 5 years experience in a production centre, although there are obviously exceptions. Both ex-craft and technician apprentices may be employed as estimators, although for the latter to be accepted for this work is rare.

The Recorder group which works for the finance manager is drawn from the craft grades and has its own hierarchical structure up to PTO II. Because of the restrictive nature of their work it was decided not to include Recorders in the survey. This decision was based on the assumption that their inclusion might introduce a degree of bias into the results. On the other hand it was decided to include the diagnosticians because they are employed in the line and work alongside craft trades and technical supervisors.

Selection of Respondents

The sample population for the study was selected from Personnel department records. These records are updated daily and are the responsibility of an Executive Officer. The names of all P&T grades employed in the dockyard are held on a card index system in alphabetical order by grade,

specialism and department. This method of portraying the disposition of staff within the dockyard enabled a random selection of respondents to be made. The actual mechanics of selecting respondents was achieved by systematically abstracting every third card and recording the name and place of employment shown on the card.

In order to identify the various respondent groups an identification letter was placed on the back of each questionnaire. Some of the respondents went to extraordinary lengths to ensure anonymity, the group identification letter was erased by such methods as cutting off the bottom of the page, replacing the page etc. However, by analysing question 18 and cross tabulation with questions relating to overtime it was possible, in all except a couple of cases, to identify the respondent's occupational group.

Testing of Questionnaire

The questionnaire was pretested on a small sample of individuals from the same population that the questionnaire was to be administered to. A note was made of the names of the pre-test sample to ensure that they were not included in the final sample. The questionnaire was sent to the pre-test sample accompanied by a letter explaining the purpose of the questionnaire and asking the respondents to appraise it critically, highlighting any questions which they considered ambiguous or badly structured.

Fifteen pre-test questionnaires were administered and 11 were returned. It was obvious that the majority of the pre-test sample had taken great care and made a lot of effort to evaluate the questionnaire critically. Some ambiguities were identified, but more importantly it enabled the imagined frame of reference of the respondents to be adjusted to accommodate terminology peculiar to the Dockyard. The pre-test also served to check the information level of the respondent, and as a result of the information

gained a question on the subject of class to class transfer from the technical to professional grade was deleted from the questionnaire.

Although not directly related to the pre-test procedure, the draft questionnaire was passed to the General Manager and Chairman of the Local IPCS branch for information and comment. As a result of this a few additional questions were incorporated into the questionnaire. Additionally, this detailed examination resulted in a further refinement of the questionnaire and also elicited the fact that both sides were interested in the study. The proposed questionnaire was also passed to Professor Bowey who had set up a questionnaire on incentive schemes at Strathclyde University. As a result of comments received from her a five point scale was adopted for responses.

Printing and Distribution

The requirement to produce 4 versions made typing and subsequent printing less than straight-forward. Four hundred copies of the questionnaire were produced, each version containing one hundred copies.

Address labels were prepared for the sample population, the necessary information being obtained from the personnel department. The questionnaire was distributed through the dockyard internal mail system, all questionnaires were distributed over a period of 24 hours. Table 5.2 gives a breakdown of the distribution to the various groups and shows the number reformed.

Table 5.2 Number of Questionnaires Distributed and Returned

| Group | No Distributed | No Returned | % | Spoilt |
|---|---|---|---|---|
| PTO II | 63 | 47 | 74.6 | 2 |
| PTO III | 114 | 83 | 72.8 | 6 |
| PTO IV T/S | 90 | 54 | 60.0 | 10 |
| PTO IV EST | 30 | 24 | 80 | 1 |
| PTO IV DIAG | 34 | 15 | 44 | 3 |
| PTO IV DO | 32 | 22 | 48 | 3 |
| PTO III DO | 21 | 9 | 43 | 1 |
| TOTAL | 384 | 254 | 66.1 | 26 |

Total number returned including spoilt = 280 = 73%

The questionnaire was distributed on 11/12 February and 216 had been returned within 12 days. A follow-up letter was distributed on 25 February 1981 and this resulted in a further 38 questionnaires being returned by 1 March. A total of 26 questionnaires were returned spoilt or blank, thus out of 384 distributed, 280 were returned.

The release of the questionnaire in February meant that very few people were on holiday and although fortuituous, it contributed to the relatively high response, 73% (66%) for a mail survey. Another factor which obviously contributed to the good response was the fact that the content of the questionnaire was relevant to respondent's condition of service and it dealt with issues which were topical within the Dockyard.

As mentioned earlier an equal number of each variant of the questionnaire was distributed to each group. Table 5.3 shows the number of completed questionnaires returned broken down by group and each variant of the questionnaire.

Table 5.3 Distribution of Completed Questionnaire - Variants

| Group No | Grade | Questionnaire Variant | | | | Total |
|---|---|---|---|---|---|---|
| | | A | B | C | D | |
| 1 | PTO II | 12 | 14 | 10 | 11 | 47 |
| 2 | PTO III | 22 | 21 | 21 | 19 | 83 |
| 3 | PTO IV TS | 15 | 10 | 13 | 16 | 54 |
| 4 | PTO IV EST | 8 | 6 | 5 | 5 | 24 |
| 5 | PTO IV DIAG | 1 | 4 | 4 | 6 | 15 |
| 6 | PTO IV DO | 4 | 9 | 5 | 4 | 22 |
| 7 | PTO III DO | 2 | 1 | 4 | 2 | 9 |
| | | 64 | 65 | 62 | 63 | 254 |

Analysis of Completed Questionnaires

It became progressively more obvious during the construction of the questionnaire that a data processing facility would be essential to handle and manipulate the data. The starting point for this exercise was to transcribe the responses to each questionnaire on to a data processing sheet in preparation for punching. The process of transcribing the data from the 254 questionnaires was tedious, but it served the additional purpose of carefully checking each response and occasionally assigning 'Don't know' to questions left blank.

Use was made of Statistical Package for the Social Sciences. A frequency and joint frequency programme was used to analyse the sample population's response. Further computer runs were done to analyse the responses by grade. On the multi choice questions a cross tabulation programme was used to determine if the position of an alternative on the list was a significant factor in determining its probability of selection.

Examination of multiple choice questions No 9 and 12 showed that the position of options on the list did not significantly affect their probability of selection. This fact tends to suggest that respondents adopted a discerning attitude towards the questionnaire and the inference which may be drawn is that the quality of information is reasonably sound.

In addition a T test programme was used on each question to determine if there was any significant statistical difference between the responses of the three grades.

A Pearson correlation programme was used to establish the degree of correlation between certain questions. The lack of high correlation coefficient between responses to questions may be just as significant as the existence of a high correlation coefficient. What is important, however, is that each situation should be examined from a practical point of view, and that prediction and interpretation is based on reasonableness taking full account of all relevant variables.

ADDENDUM

Grouping of Questions

Q 1-9 Group of questions based on the Dockyard Efficiency Scheme to ascertain the attitude of P&T grades.

Q 10-16 Questions relating to pay.

Q 17-26 Questions designed to establish the degree of satisfaction with the present promotion system.

Q 27-31 Questions designed to determine the scope for change within the organisation. These questions are based on the Dockyard Study report.

Q 32 Multi choice question aimed at identifying the important facets of job satisfaction.

Q 33-37 Questions relating to managerial authority, the prime purpose being to establish junior management's perception of its position in the organisation.

Q 38-41 Questions designed to determine some demographic details of the subjects.

# CHAPTER 6

# PAY

## THE SUBSTANTIVE ISSUES

### Introduction

The first part of this chapter will examine the substantive issues raised in the questionnaire relating to pay. The questions will be examined against the theme of pay relativities and the vexed question of differentials between Industrials and lower management. There is evidence to suggest the existence of a significant pay perception problem among Non Industrials. A further factor which merits consideration is the relevance of the pay package to the individual and the specific aspect of personalisation of pay; the importance of the pension will also be discussed. In continuation of the pay perception theme, the questions relating to pay and other enhancements and overtime will be assessed to try and quantify the pay perception problem. Overtime payments are an important element of pay enhancement which makes gross pay extremely sensitive to the amount of overtime worked. The response to overtime-related questions should also enable an assessment to be made of lower management's attitude to overtime.

The second part of the chapter will assess the attractiveness of an incentive scheme to Non Industrials whilst continuing to explore the pay relativities issue. A 'proxy' method was used to determine the Non Industrials' attitude to incentive schemes because of the IPCS's sensitivity to the whole question of bonus schemes.

It proved fortuitious that the questionnaire was administered shortly before the introduction of DES as this meant all Non Industrials had received a formal briefing on the efficiency scheme. The

respondents were ideally placed to appraise the Dockyard Efficiency Scheme critically. Their responses should give some indication of the attractiveness of incentive schemes to Non Industrials.

An important consideration in any incentive scheme is the conflict between individual expectation and that of the organisation. The responses to the questions should enable an assessment to be made, based on the perception of Non Industrials as to which group expectations are most likely to be satisfied by DES. It is acknowledged that the questions relating to DES were structured in such a way to invite speculation and some bias should be expected.

For convenience questions are grouped in clusters for analysis. Survey results appertaining to each cluster will be shown together with the relevant question at the beginning of each section. For identification purposes questions will be numbered with the chapter number and a Roman numeral.

Basic Pay Comparability and Industrial Pay Needs

6(i) How do you think that your pay compares with rates in outside industry for comparable work?

| | | PTO II | PTO III | PTO IV |
|---|---|---|---|---|
| Basic Pay | Very favourably | 0 | 0 | 2 |
| | Favourably | 6 | 5 | 8 |
| | About the Same | 21 | 20 | 17 |
| | Unfavourably | 64 | 64 | 60 |
| | Very unfavourably | 8 | 11 | 13 |

6(ii) What do you think of pay comparability as a method of pay determination for P&T grades in the Dockyard?

| | PTO II | PTO III | PTO IV |
|---|---|---|---|
| Very desirable | 53 | 44 | 42 |
| Desirable | 36 | 49 | 37 |
| Don't Know | 2 | 3 | 10 |
| Undesirable | 9 | 2 | 9 |
| Very undesirable | 0 | 2 | 3 |

The response to question 6(i) provides an important key to the study. There is unanimity between the three grades who are the subject of the study that their basic pay compares either unfavourably or very unfavourably with comparable groups in both the private and nationalised sector. This response is wholly consistent with the empirically observed view prevalent among Non-Industrials that they are comparatively poorly paid. Indeed the action taken by civil servants between March and July 1981 is indicative of the fact that all civil servants consider their pay compares unfavourably with other comparable groups. However, this view is not supported by Megaw (1982) who states that overall the public sector has done as well as the private sector over the period from 1970 to 1980 with little perceptible relative change in pay between 1955 (post Priestley Report) and 1970.

It is believed that the P&T group believe their pay compares unfavourably with comparable groups for a number of reasons. Firstly there is the horizontal relativities problem between the PTO II and HEO. See Table 3.6. This relativities problem is a function of pay research. The executive and administrative group pay rates are set by comparison with pay rates in Banking, Assurance, Headquarters staff

of large companies such as Shell, ICI, Unilever BP, whereas comparison for the P&T group are made with technical staff in the companies such as Babcock Power, Rolls Royce, British Shipbuilder and British Steel. It is generally acknowledged, but difficult to prove conclusively because the New Earning Survey does not cross classify industry and occupation that rates of pay in the engineering sector are lower than rates in the commerce sector of industry, indeed the horizontal relativity between the PTO II and HEO is evidence of this supposition.

The second point which is deemed to affect the P&T groups' attitude to their pay concerns the very small vertical differential which exists between PTO IIIs and PTO IVs and Industrial grades. The position shown in Table 3.7 has worsened since the introduction of DES in April 1981. An Industrial grade earning a productive bonus of more than 12% is likely to earn more than a PTO IV if overtime working is ignored.

The third point is related to Priestley's primary principle of fair comparison. Because fair comparison was the primary principle, civil servants expected that, with the system operating normally, the rates indicated by the comparisons would form the pay settlement. It was unlikely that individuals took account of factors other than comparisons eg pensions, job security when they tried to reconcile their pay rates with those published in union journals for comparable groups outside the civil service.

These three points have been raised to offer an explanation for the response to question 6(i) in view of the fact that neither Megaw (1982) nor New Earning Survey data support the Non Industrials' view. The response demonstrates two points, firstly there would appear to be a

pay perception problem at Rosyth and secondly survey questions relating to pay tend to prompt emotive behaviour.

The response to question 6(ii) shows that pay comparability as a method of pay determination is greatly favoured by the P&T group at Rosyth. Because of the overwhelming support shown for pay comparability verification was sought to establish if the mechanics of Pay Research was understood, particularly in view of the IPCS' attitude which will be examined shortly. Discussion with a selection of P&T grades revealed that a great deal of ignorance and myth surrounded the subject of pay comparability. For example, very few respondents appreciated that pay comparability meant that different civil service occupational groups were compared with comparable groups in industry and commerce engaged in similar work or that there was a whole series of Pay Research Units engaged in different fields of endeavour. A number failed to appreciate or did not wish to acknowledge that the pay increase awarded to the P&T group was simply a reflection of the increase awarded to employees in the engineering sector of industry.

Returning to the criticism of Pay Research by the IPCS, they stated in their evidence to Megaw (1982) that based on experience the Instituition considered that the application of the Pay Research System, as modified by the Civil Service Department in the period since 1977, suffered from a number of fundamental defects. These are summarised as follows:

a. After 1977 the old pay system became increasingly mechanistic and indeed was out of commission for several years.

b. The mechanistic application of a single figure from the pay research evidence led to the creation of intolerable anomalies in internal relativities. These the IPCS asserted are inimical to efficiency and contrary to the approach of the Priestley Commission.

c. Pay research information does not provide a picture or reflection of the pay and grading structure in any single outside organisation. It is claimed that Pay Research examines individual posts rather than pay structures.

d. The Priestley Commission anticipated that there would be a variety of rates for the anologues of each grade. It is claimed by the IPCS that the evidence shows that there is not a single rate for the job or for that matter a narrow band of rates.

The problem of internal relativities is an emotive issue because it affects status and individual esteem. Discussion with Mr Will, the National Chairman of the P&T group within the IPCS revealed that senior IPCS officers were extremely conscious of the status problem emanating from the existence of these horizontal relativities. He mentioned that Civil Service Department played down the status dimension and appeared not to be concerned with arguments regarding inequity and divisiveness.

The response to question 6(ii) raises a very interesting point in view of Rosyth's support and the IPCS's National Executive Council's (NEC) criticism of Pay Research. Either the NEC's view was not shared by their membership at Rosyth or the NEC had failed to communicate their criticisms and reservations of Pay Research to their members. However, there is a plausible explanation for the response to question 6(ii). In October 1980 the Government refused to publish the PRU's findings and this undoubtedly influenced the response to the question. The suppression of the PRU's findings obviously aroused suspicion amongst Non-Industrials. The most commonly voiced opinion

was that the PRU's findings were suppressed because it contained evidence which supported the belief that civil servants in general and the P&T group in particular were doing less well than other groups. It is speculated that any misgivings that P&T group members at Rosyth may have had concerning Pay Research were temporarily overcome by the Government's action in October 1980. Thus the response to question 6(ii) may have been inpart a reaction to the October 1980 event.

Pay Enhancement and Overtime

At the beginning of this chapter it was indicated that a pay perception problem existed among P&T grades at Rosyth. An attempt will be made to estimate the extent of the perception issue. Because perception is an intangible dimension an attempt will be made to qualify perception in terms of the difference between average gross salaries at Rosyth and in the rest of industry. In extricably linked to pay enhancements is the position and importance of overtime. This section will analyse the questions relating to pay enhancements and the related topic of overtime.

6(iii) How do you think that your pay compares with rates in outside industry for comparable work?

| | | PTO II | PTO III | PTO IV |
|---|---|---|---|---|
| Basic Pay + | Very favourably | 2 | 5 | 0 |
| overtime and other | Favourably | 13 | 5 | 16 |
| enhancements | About the same | 15 | 12 | 13 |
| | Unfavourably | 62 | 58 | 55 |
| | Very unfavourably | 8 | 20 | 17 |

6(iv) Do you think that the award of extra pay for special responsibilities (eg On 'Call Allowance', Trials pay) is a

| | PTO II | PTO III | PTO IV |
|---|---|---|---|
| Very good thing | 15 | 24 | 30 |
| Good thing | 51 | 48 | 52 |
| Don't know | 4 | 7 | 11 |
| Bad thing | 23 | 19 | 7 |
| Very bad thing | 6 | 2 | 0 |

6(v) Are you able to forecast the amount of overtime that you are likely to work?

| | | | |
|---|---|---|---|
| Very accurately | 23 | 12 | 10 |
| Accurately | 23 | 10 | 11 |
| Fairly Accurately | 36 | 51 | 37 |
| Very little accuracy | 11 | 12 | 32 |
| None | 6 | 15 | 10 |

6(vi) Do you consider that the amount of overtime you work is

| | | | |
|---|---|---|---|
| Far too much | 4 | 3 | 4 |
| Too much | 19 | 13 | 11 |
| About right | 70 | 58 | 40 |
| Too little | 4 | 20 | 34 |
| Far too little | 2 | 7 | 12 |

Examining question 6(iii) shows that the percentage of the sample who consider their pay plus enhancement compares either favourably or very favourably with rates in industry has increased by a factor of 2. As the datum figures in 6(i) are small this is an insignificant percentage of the sample. This is a somewhat curious result which is not readily amenable to explanation in view of the high levels of overtime and shiftwork worked by a significant number of lower management

at Rosyth. In addition about 15% of the P&T group population are in posts which merit entitlement to trials pay. Although there is a great variation in the amount earned by individuals the average is approximately £1500 per year for those entitled. Neither the relatively high rate of overtime/shiftwork nor trials pay are reflected in the response to question 6(iii). In early 1981 approximately 27% of PT III and IV grades were earning, in addition to their basic pay, over £50 per week in overtime and shift payments while the national average for comparable grades was £5 per week.

It is these facts coupled with the response to question 6(iii) which illustrates the depth and strength of the pay perception problem existing at Rosyth. Another possible explanation may be associated with the differential between lower management and Industrials who also enjoy significant enhancements although they are not eligible for trials pay. Trials pay is a contenious and controversial payment which is disguised as special responsibility allowance With hindsight a better indication of the support for trials pay may have been obtained had reference to 'On Call' allowance been deleted from question 6(iv).

A possible explanation for the enthusiastic response to the question of extra pay for special responsibilities centres on the fact that it is considered better to retain what is available rather than give up what could be a useful bargaining point at future pay negotiations.

The financial cost of trials pay is relatively small to the organisation compared to the Non-Industrial overtime budget for the dockyard. Obviously this in no way detracts from the importance of trials pay to recipients. Overtime payments on the other hand

represent a sizeable part of gross salary for more than 50% of the Non-Industrial population. However, since the introduction of cash limits in 1980 there has been a progressive reduction in the amount of overtime work in Rosyth dockyard. The current position (1982) regarding Non-Industrial overtime is that on average approximately 320 clock hours per person per year is worked.

This is not readily translated into money as the financial value of a clock hour depends on when the overtime is worked, weekdays or weekends and the grade of the Non-Industrial. If for example all overtime is worked on a Sunday insteady of a weekday it is worth twice as much to a PTO II or III. In the case of a PTO IV overtime worked during the week attracts time and a half; this premium was introduced to create a reasonable differential between the first tier of management and Industrials.

The majority of overtime at Rosyth is worked as part of recognised shift patterns and this has an important bearing on the interpretation of the response to question 6(vi). There is a significant difference statistically between how accurately PTO IIs and the other two grades are able to forecast overtime. The reason is due, probably, to the fact that although PTO IIs do not work a lot of overtime, as a group, they are able to forecast the amount they are likely to work because they are closely involved with decisions affecting overtime.

Non-Industrials involved with shiftwork should be able to forecast that element of overtime directly linked to the shift, but probably with less accuracy overtime worked outside the shift pattern's conditioned hours. With respect to PTO III and IV grades, the response to question 6(v) probably reflected quite accurately the ratio of casual overtime to that worked as part of a shift pattern.

The accuracy with which Non-Industrials are able to forecast overtime, will to some degree influence their standard of living expectations. Prolonged periods of shiftwork accompanied with significant overtime may encourage financial commitment to be taken on, far in excess of those which could be supported on basic salary. It is speculated therefore, as this questionnaire was administrated before the current more rigid policy of overtime control was implemented there may be significant number of Non-Industrials who have experienced a diminution of living standards.

Moving on to consider the response to question 6(vi) regarding the amount of overtime work, this question again divides according to grade. The majority of PTO IIs consider the amount of overtime they work as about right which is not a surprising result considering the average age of this group, approximately 48 years. Although PTO IIIs are generally satisfied with the amount of overtime they work there are significant minorities who consider that they work too much or too little.

The only group which is dissatisfied with the amount of overtime they work is the PTO IV group. This response may be explained by the fact that the PTO IV group embraces four occupational groups, Table 6.1 shows in percentage terms the constituents of the group.

Table 6.1 - Breakdown of PTO IV Grade Questionnaire Respondents by Occupational Group

| | |
|---|---|
| Technical Supervisors | 51% |
| Estimators | 19% |
| Diagnosticians | 13% |
| Drawing Office | 17% |

Each group has varying opportunities to work overtime, Drawing Office and Estimator grades have, on the whole, little opportunity for overtime compared to Technical Supervisors.

The PTO IV's response to question 6(vi) has been broken down to show the response by occupational group

| | Technical Supervisor | Estimator | Diagnostician | Drawing Office |
|---|---|---|---|---|
| Far too much | 4 | 8 | 0 | 0 |
| Too much | 11 | 4 | 27 | 0 |
| About right | 49 | 38 | 33 | 38 |
| Too little | 29 | 42 | 40 | 29 |
| Far too little | 7 | 29 | 0 | 33 |

The degreee of satisfaction with the amount of overtime worked is to some extent related to the opportunity that each group has for working overtime. The fact that Drawing Office and Estimator grades do not have a choice whether or not they work overtime may have influenced their response to question 6(vi).

The fact that the average age of the PTO IV group is less than the PTO II and III groups may be a contributory cause of dissatisfaction because the financial commitments of the younger men are probably greater.

Taken overall, the result demonstrates that there was general satisfaction with the amount of overtime worked, but not with the resulting pay; this is the inference drawn from the response to question 6(iii) (Basic pay + overtime and other enhancements). However, with the introduction of a more stringent overtime policy there may be greater dissatisfaction than indicated by the response to question 6(vi) but this is a subjective assessment. There is a view among some P&T grades, typified by the following remark appended to a questionnaire, 'overtime, like shift working, is used as a hidden support for poor wages'. The term 'social overtime' is not an uncommon remark to hear expressed in the dockyard.

The Pension Dimension

6(vii) How much importance do you attach to your pension?

| | PTO II | PTO III | PTO IV |
|---|---|---|---|
| Great Importance | 53 | 46 | 47 |
| Some Importance | 36 | 34 | 38 |
| Very little importance | 11 | 11 | 9 |
| None | 0 | 4 | 2 |
| Haven't thought about it | 0 | 5 | 4 |

As this question does not readily fit into any of the pay related groups of questions, it will be analysed on its own. Before proceeding it will be work noting the average age of respondents by grade.

Table 6.2 - Average Age of Respondents by Grade

| Grade | Average Age |
|---|---|
| PTO II | 46.1 years |
| PTO III | 41.4 years |
| PTO IV | 37.7 years |

The response to question 6(vii) is somewhat predictable from two counts, the average age of respondents and the fact that there is a tendency for significant numbers of civil servants to consider the Index linked pension as a reward for their perceived unfavourable pay position viz-a-viz other groups.

Pension schemes form an essential part of any modern pay system in the UK. A pension scheme attempts simultaneously to satisfy a number of objectives. These, in no particular order, are:

a. To make employment with the firm or company more attractive and thus make it easier to recruit new employees of the right calibre.

b. To encourage existing employees to remain and thus to reduce the costs of labour turnover.

c. To provide an orderly retirement plan for older employees.

d. To satisfy national legislation.

e. To help employees spread their earnings over the whole of their lives to best advantage.

How successful has the Civil Service pension scheme been in meeting the above objectives? The answer must be at least moderately successful.

Despite the level of alienation generated by the pay issue Non-Industrial turnover at Rosyth is low. This assertion is reinforced by Table 6.3 which shows a breakdown, by grade of length of service in the Sea System area

Table 6.3 - Length of Service by Grade

| Service in Years | Number | | |
|---|---|---|---|
| | PTO II | PTO III | PTO IV |
| 0-4 | 0 | 0 | 0 |
| 5-9 | 2 | 2 | 15 |
| 10-14 | 2 | 19 | 27 |
| 15-19 | 13 | 23 | 27 |
| 20-24 | 17 | 16 | 9 |
| Over 25 | 66 | 40 | 22 |

It could be argued that the attractiveness of the pension scheme has been a disincentive for Non-Industrial staff to leave the Civil Service. This in turn is one of the factors which has inhibited the free flow of staff between the Civil Service in general and the dockyards in

particular and private industry. To this end it may be concluded that the current Civil Service pension scheme meets the needs of the P & T group at Rosyth. It can be inferred from the response to question 6.vii that the pension is perceived as an important reward by respondents. It is speculated that the importance of the pension, to the P & T group, may not be fully appreciated by those responsible for negotiating civil servant's pay.

Non Industrial Attitude to Incentive Schemes

An important point to establish prior to structuring systems of reward is the role, if any, of financial incentives. White et al (1968) comments that traditional attitudes towards financial motivation as a basis for greater efficiency in British industry have been those of scepticism. Central to any scheme of financial incentives is the organisation's ability to measure performance and a systematic and disciplined discrimination in favour of those contributing most to improved efficiency.

This section will attempt to assess the attitude of P&T grades at Rosyth to the question of incentives raised at the beginning of the Chapter; a proxy method was used to ascertain the views of Non-Industrials. It should be noted the official policy of the IPCS is one of opposition to the implementation of any scheme of financial incentives for its members, but there is an undercurrent of opposition to this policy. The attitude of Non-Industrials to incentives is inextricably linked to the emotive question of relativities.

The analysis of responses to questions on DES will attempt to evaluate how Non-Industrials perceive the scheme with respect to both the individual and the organisation. Question 6.viii should permit an assessment to be made of the benefits which are likely to accrue to the dockyard noting that it has been estimated that DES has effectively

increased Industrial's basic pay between 7 - 12%. Hence DES is likely to be instrumental in further narrowing the differential between Industrials and lower management: this may influence the latter to conclude that the organisation has again acquiesced to industrial muscle and is likely to be reflected in the response to questions relating to the DES.

6(viii) How do you think that the Dockyard Efficience Scheme will affect the efficiency/productive output of the Dockyard?

| | | | |
|---|---|---|---|
| Greatly increase | 0 | 0 | 1 |
| Some increase | 55 | 53 | 51 |
| No change | 32 | 35 | 37 |
| Some decrease | 12 | 9 | 10 |
| Greatly decrease | 0 | 3 | 1 |

6(ix) Do you consider that under the Dockyard Efficiency Scheme, to earn a productivity bonus, Industrials have to work

| | | | |
|---|---|---|---|
| Very hard | 2 | 0 | 4 |
| Fairly hard | 23 | 24 | 38 |
| About the same (as before) | 70 | 70 | 52 |
| Less than now | 4 | 3 | 5 |
| Very much less than now | 0 | 2 | 0 |

6(x) How well do you think the management will be able to measure performance?

| | | | |
|---|---|---|---|
| Very well | 4 | 11 | 13 |
| Fairly well | 19 | 22 | 24 |
| Adequately | 34 | 39 | 42 |
| Badly | 40 | 27 | 20 |
| Very badly | 2 | 1 | 1 |

Turning our attention to question 6(viii) a small majority of the sample population think that there will be some increase in productivity.

However, the response to this question is difficult to reconcile with the response to question 6.ix where a significant number of Non-Industrials think that the Industrials will have to work about the same rate as now to earn a bonus. Although persuading employees to work harder is not necessarily the only method of improving productivity, improving the quality of workmanship may be a very effective way of increasing productivity. In other words getting the job right first time is very important in ship repair work. However, perhaps the response to question 6.viii is more indicative of the underlying view prevailing among Non-Industrial grades that the DES was introduced to achieve pay comparability for Industrials in the four home dockyards. Industrial grades at Chatham had enjoyed a 20% pay enhancement emanating from the New Dockyard Wage Structure (NDWS). This pay scheme was installed at Chatham in July 1975 as a trial with the intention of installing it in the other three dockyards, but owing to a combination of Government pay policy and the fact that there was only a marginal improvement in productivity, it was never extended to the other dockyards.

The relative optimism concerning some increase in output may be explained by the fact that Non-Industrials may feel obliged to ensure that Industrial grades actually earn their bonus. It is speculated that there may be a desire by Non-Industrials to see that the Industrials give something in return for what many consider to be a thinly disguised pay rise. One respondent commented that better Start-Stop times would have probably achieved the same result as the DES. It was generally recognised that prior to the introduction of the DES the majority of Industrials employed on afloat work started work late and finished early.

Another respondent questioned the ability of management to bring about the necessary relaxations in trade demarcations to pave the way for increased output.

The significant point to emerge is that Non-Industrials do expect some increase in productivity which may motivate them to ensure that their expectation is realised. However, there is a significant body of opinion which considers that the industrial has benefitted at the expense of the dockyard. This view is somewhat reinforced by the response to question 6.ix which infers that Industrials will only have to work at the same rate to earn a bonus. However, a note of caution should be sounded because the response to the question has been made with the knowledge that lower management will not be participating in the efficiency scheme. This fact will undoubtedly have influenced their response.

Although it has already been suggested that the response to question 6.ix may be inconsistent with the response to Question 6.viii, the following explanation is offered to show that the result is not as contradictory as it might appear at first sight. The explanation centres on interpretation and semantics associated with the question. It is suggested that the word 'hard' generates connotations of greater work rate rather than simply spending longer on the job ie improved Start-Stop discipline. If respondents have used the criterion of work rate to assess how hard Industrials would have to work to earn a bonus, then there is no inconsistency with question 6.viii; on the other hand, if respondents considered that Industrials could earn a significant bonus without any increase in productivity then there is a degree of inconsistency with question 6.viii.

A further explanation which merits consideration concerns the view prevailing among some respondents that the trigger point for bonus payment has been deliberately set low to ensure that the Industrials receive a significant bonus. This view is nurtured and sustained by a number of emotive and interrelated factors, errosion of Non Industrial differentials, the perception that P & T grades are underpaid and the view that

managerial authority has declined over the past 10 years.

The response to the question indicates that Non Industrials have no great expectation regarding increased productivity and this really reinforces and strengthens the assessment that they perceive the Industrials benefitting at the organisation's expense.

As previously discussed an important facet in any incentive scheme is the ability of management to measure performance accurately. A question was inserted in the questionnaire to elicit the perception that lower management had of the organisation's ability to quantify performance. An assessment of the organisation's capability for measuring performance may permit lower management to have a better appreciation of the objectives of the efficiency scheme. If lower management is not convinced of the organisation's determination to measure performance with any degree of accuracy then the motives for introducing the efficiency scheme are likely to be queried. There is a suspicion in some quarters that the efficiency scheme was implemented to improve the pay of Industrials, a point we have already mentioned.

This result shows that the PTO II grade is less confident than the other two grades in the ability of the dockyard to measure performance. Statistically there is a significant difference between the response of PTO IIs and the PTO IV to this question. The frame of reference of respondents enables them to make an objective assessment as all Non-Industrial grades in the General Manager's department attend a five day course in work measurement techniques and practices, based on the current British Standard. Comparative estimating techniques have been used in the dockyard for several years. It is difficult to be specific about the effectiveness of this technique for providing an absolute measure of productivity, but it does provide a method for monitoring changes in productivity. However, the fact that employees are aware that productivity is being measured may prompt an improvement in productivity. An

occupational group, Estimators, exists in the dockyard to conduct job estimating; members of this group were included in the survey, and approximately 18% of PTO IV respondents were Estimators.

This group's involvement with work measurement and the close association of this dimension with performance assessment may explain why the PTO IV group has made a more favourable assessment of management's ability to measure performance. Based on a self esteem consideration it is subjectively assessed that the Estimators would be more favourably pre-disposed to assessing the organisation's ability to measure performance. It is unlikely that the average individual would acknowledge that his performance is less than fair. Thus it is concluded that the inclusion of Estimators in the PTO IV group may account for the difference with the PTO II group. However, an equally valid interpretation of the result could be that the PTO II group is more suspicious of the organisation's motives for implementing the scheme. The result indicates that there is no great confidence in the organisation's ability to link performance accurately to bonus payments or indeed measure performance.

Attitude and Commitment

An important ingredient for the success of any incentive scheme, for dockyard Industrial grades, is the attitude adopted by Non-Industrial grades. Although some incentive schemes are designed to provide self motivation, thus diminishing the need for supervision, the nature of ship repair work, particularly its diversity, inter-dependence and complexity dictate that a certain minimum degree of supervision is maintained. The precise level of supervision for any particular job will be a matter for judgement by supervisors. It is suggested that the attitude adopted by Non-Industrials will to a large extent determine whether they are prepared to adopt a discerning approach to supervision and enable the organisation to benefit from any self motivation that the incentive scheme might possess.

Among the many factors which will undoubtedly influence the attitude and approach of Non-Industrials to an incentive scheme for Industrials, is whether the organisation was believed to have given careful consideration to their conditions of service. In reality this means the thorny question of differentials between Non-Industrial and Industrial grades.

6(xi) How much importance do you think was attached to the question of differentials, between Non-Industrials and Industrials in the formulation of the Dockyard Efficiency Scheme?

| | PTO II | III | IV |
|---|---|---|---|
| Great importance | 2 | 4 | 5 |
| Some importance | 9 | 3 | 5 |
| Very little importance | 23 | 17 | 36 |
| None | 66 | 71 | 50 |
| Don't know | 0 | 5 | 4 |

6(xii) How important do you regard the commitment of Non-Industrials in determining the success of the Dockyard Efficiency Scheme?

| | | | |
|---|---|---|---|
| Critically important | 57 | 44 | 44 |
| Very Important | 42 | 47 | 47 |
| Fairly important | 0 | 10 | 7 |
| Very little importance | 0 | 1 | 3 |
| Don't know | 0 | 1 | 0 |

The response to the question 6(xi) indicates that the respondents strongly believe that 'very little' or 'no importance' was attached to the question of differentials between Industrials and Non-Industrials in the formulation of DES. The erosion of differentials in the dockyard is a contentious issue and undoubtedly contributed to the militancy of Non-Industrials at Rosyth during the 1981 Civil Service dispute. However,

to infer that the erosion of differentials is the principle cause of Non-Industrial unrest would be a fashionable over simplification of the problem.

The question also illustrates the point that the majority of respondents have short memories.

Moving on to discuss the commitment dimension, a comment appended to a questionnaire perhaps best summed up the prevailing attitude in February 1981 of Non Industrials at Rosyth; 'Non Industrials will work under any scheme the question is how effectively'. The response to question 6(xii) is wholly predictable. It is quite logical that an individual should consider that his contribution is important to the success of the process. From a psychological aspect, the self esteem dimension will undoubtedly influence the degree to which an individual believes in the indispensability of his commitment. The respondents obviously believe that their management skills are essential to the success of the DES. This widely held view is illustrated by a comment from a respondant 'the DES will be only as effective as the Non-Industrials desire it'.

The Industrial Trade Union position on dockyard productivity is interesting. Within the context of the DES they argue that the performance of Management will be a major determinant of bonus payments, but simultaneously they will forcibly assert that they and they alone are responsible for improvement. One suspects that the latter position is adopted to ensure that Industrials are the sole beneficiaries of any rewards for improved productivity. In the negotiations leading to the introduction of the DES, the Industrial Trade Unions made an issue of Non-Industrial commitment to gain the best possible weighting factor

for waiting time. An interpretation of the respondents' assessment of their importance concerning their commitment to DES, reinforces the view that Non-Industrial would wish to participate or at least to benefit to some degree from DES. In other words Non-Industrials are saying, 'We recognise the importance of our commitment; let us participate and thus maximise and reinforce our commitment'.

In summary, Non-Industrials recognise their importance to DES and the result does indicate that there is a desire by Non-Industrials that they should participate in the scheme.

Towards an Alternative Pay Distribution System

6(xiii) Assuming a fixed sum is available for financial remuneration, which of the systems set out below would you prefer? Please tick one, or specific other combination.

| Basic Pay | Set aside for Pension Enhancement | Bonus Payment Annual | PTO II | III | IV |
|---|---|---|---|---|---|
| 100% | - | - | 26 | 26 | 20 |
| 90% | 10 | - | 29 | 21 | 17 |
| 90% | - | 10 | 4 | 9 | 10 |
| 90% | 5 | 5 | 17 | 19 | 20 |
| 80% | 20 | - | 2 | 2 | 7 |
| 80% | - | 20 | 8 | 8 | 11 |
| 80% | 10 | 10 | 15 | 14 | 15 |

This question was investigated to determine whether Non-Industrials had identical pay needs. The result clearly shows that individuals have different pay needs and supports the view of the literature on this issue. That there is a tendency for individuals to under-estimate the financial cost of fringe benefits and the fact that some benefits may not be desired,

indicates that organisations may not be getting the best return for a given financial outlay. This fact demonstrates that there are certain potential advantages to be gained by introducing a personalised payment system.

A Pearson correlation was carried out to ascertain whether perceived pay needs correlated with grade and age. The lack of any significant correlation with age is perhaps surprising as the literature does suggest that men with young families require more of their pay in the form of money than older men who are normally considered to be more interested in the security aspect. It is suggested that the lack of any significant correlation supports the case for a personalised pay system in some form or other.

A follow up questionnaire was administered, with a brief description of personalised pay system, to determine the degree of support that such a system might enjoy at Rosyth. The response demonstrated that there was considerable support for a personalised pay system. However, the response may have been influenced by expectations that change would mean some form of pay enhancement. The issue of pay personalisation will be further discussed in Chapter 8.

Industrial Relation Dimension

It is recognised that asking questions relating to the DES and industrial relations invites speculation. There is likely to be a degree of correlation, in a speculative sense, between the affect on Industrial relations and the perception of the deal that the Industrials achieved. A fashionable view among many Non-Industrials is that management will be unable to persuade the trade unions to deliver, in the sensitive area of relaxation of trade demarcation, although the loosening of trade demarcation was perceived as the principle reason for the introduction of the efficiency scheme by the organisation (see Question 9 Appendix 1), where "To improve labour flexibility"scored highest .

6(xiv) How do you think the Dockyard Efficiency Scheme will affect Industrial relations?

| | PTO II | III | IV |
|---|---|---|---|
| Greatly decrease number of disputes | 2 | 3 | 2 |
| Decrease number of disputes | 28 | 26 | 27 |
| No change | 42 | 52 | 50 |
| Increase number of disputes | 28 | 17 | 21 |
| Greatly increase number of disputes | 0 | 1 | 1 |

6(xv) What sort of deal to the Industrials do you think that the Dockyard Efficiency Scheme represents?

| | | | |
|---|---|---|---|
| Very good | 28 | 30 | 24 |
| Good | 66 | 60 | 58 |
| Don't know | 6 | 5 | 7 |
| Poor | 0 | 3 | 9 |
| Very poor | 0 | 0 | 1 |

Question 6(xiv) brought no consensus of view regarding the effect of DES on industrial relations. A number of possible explanations will be considered.

Those who consider that there will be a decrease in the number of disputes probably base their assessment on two factors. Firstly, the formal undertakings of DES agreed between management and unions are considered to provide a degree of assurance against industrial diputes. Secondly, the potential size of the bonus coupled with the appreciation that the bonus is dependent on overall dockyard performance may be viewed as a moderating influence in the arena of industrial disputes.

It is speculated that the 'No Change' choice may have been sub-consciously translated by respondents to a 'Don't know' choice and answered accordingly. The fact that the questionnaire was administrated before the implementation of DES strengthens this hypotehsis.

Turning to the group who consider that there will be an increase in disputes, it is suggested that their perception may have been influenced by the potential for dispute created by the two tier bonus system. The delineation between productive and non-productive workers has caused controversy in some areas. Industrial craft fitters working in the factory are defined as productive workers whereas progressmen, ex craft fitters, who are responsible for carrying out dimensional checks and specifying machining details of jobs are categorised as non-productive workers. This is despite the fact that their work forms an integral part of the machining/fitting work of the factory. In addition progressmen belong to the same union (AUEW) as the fitters. This problem serves to illustrate the difficulties which may arise where a bonus system is structured in such a way that the maximum bonus available to some groups is different from that available to other groups.

Some of the cynicism regarding the post DES industrial relations scene is probably influenced by the feeling that unions are unlikely to subordinate sectional interests to produce the climate necessary for high bonus payments.

A further factor which may have prompted some respondents to deduce a deterioration of industrial relations emanates from the fact that Non-Industrials do not participate in DES. Amplifying comments were received regarding the divisiveness of DES because of non-participation by Non-Industrials.

In summary, the response to question 6(xiv) shows that there is a considerable variation of opinion as to the effect that DES may have on the industrial relation scene.

The final question 6(xv) invites Non-Industrials to speculate the sort of deal DES represents to Industrials. The response to question 6(xv) will undoubtedly be influenced by the fact that the respondents have been invited to appraise the scheme as non-participants so it is

anticipated that some will automatically assume that the Industrial has obtained a bargain.

The response to this question tends to support the popular belief that the Industrials have obtained a very good deal. This belief will certainly reinforce the feeling of inequity experienced by the Non-Industrials set against the backcloth of their 1981 pay award of 7.5%. A number of respondents expressed disappointment that they were not able to participate in the DES. The scheme was considered by a few to be divisive and generate friction at the PTO IV Industrial interface.

A further factor probably influencing their assessment is the conviction that management is unlikely to be able to hold the trade unions to the conditions of the scheme. The ability of a bureaucratic organisation to erase sufficient customs and practices to achieve higher productivity is questioned by a somewhat recalcitrant lower management.

One is aware of a certain undertone of resentment among lower management because they feel that the trade unions have succeeded in negotiating an incentive scheme which gives them a lot more pay for very little increase in effort. The fact that it is official IPCS policy not to participate in incentive schemes is a source of frustration to some Non-Industrials. The response to this question suggests that the majority of P&T grades would be happy to participate in the DES.

Summary

The main points to emerge from this examination of the substative issues relating to pay and the Dockyard Efficiency Scheme are:

a. Confirmation of the existence of a pay perception problem at Rosyth.

b. Sensitivity of lower management to the Low Pay differential existing between Non-Industrial and Industrial grades.

c. The belief by lower management that the Industrial trade unions have successfully negotiated an efficiency scheme which will greatly benefit their members.

d. An indication that Non-Industrials would like to participate in the recently implemented Dockyard Efficiency Scheme.

e. An indication that perceived individual pay needs of Non-Industrials vary.

# CHAPTER 7

## PROMOTION - ANALYSIS OF SURVEY

### Introduction

This chapter will effectively consist of two parts, the analysis of questions relating to the promotion issue and the second part, an exposition of an alternative system for administering promotion in dockyards. The major part of the first section will focus on the substantive issues relating to the current promotion system at Rosyth Dockyard. In addition, questions relating to managerial authority will also be analysed because authority and responsibility are related to the promotion reward. An analysis of these two inter-related dimensions should provide us with some idea of how they might influence the attractiveness of the promotion reward. As in Chapter 6 questions will be grouped in clusters for analysis.

With respect to the promotion dimension questions will be analysed to determine the degree to which both individual and organisational expectations are satisfied. Promotion must simultaneously serve as a reward to motivate good performance and satisfy the organisation's requirements for the provision of people of the right calibre to fill managerial and specialist posts. The reconciliation of these two functions is not simple, promotion for example, is not a flexible reward, it is hard to give on anything, but an individual basis. The issue may also be complicated by the fact that the organisation may be using promotion to partly compensate for low pay. For a promotion system to be successful ther must be a measure of commonality of objectives between those of the individual and organisation. Thus the substantive issues raised with respect to the promotion system will be evaluated against the backdrop of individual versus organisational expectations.

The Performance Appraisal System

7.(i) How would you assess the way each of the following mark Annual Staff reports? Please tick each line as appropriate to your grade, ie 'Yourself' and 'subordinate' not applicable to PTO IV.

| | Generously | | | About right | | | Too strictly | | | Don't Know | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PTO | II | III | IV | II | III | IV | II | III | IV | II | III | IV |
| Superiors | 9 | 21 | 4 | 81 | 64 | 41 | 6 | 11 | 7 | 4 | 4 | 48 |
| Yourself | 15 | 16 | | 77 | 66 | | 4 | 6 | | 4 | 11 | |
| Subordinates | 47 | | | 45 | | | 2 | | | 6 | | |

7.(ii) How much control do you think that each dockyard should have over the selection of staff for promotion?

| PTO | II | III | IV |
|---|---|---|---|
| Complete | 13 | 22 | 40 |
| A significant amount | 60 | 64 | 46 |
| A little | 19 | 10 | 8 |
| None | 8 | 4 | 4 |
| Don't know | 0 | 0 | 2 |

7.(iii) Do you consider the abolition of the old type Inspector's and Foreman's examination to have been:

| | | | |
|---|---|---|---|
| Very good decision | 2 | 5 | 7 |
| Good decision | 19 | 19 | 24 |
| Don't know | 2 | 12 | 18 |
| Bad decision | 36 | 41 | 36 |
| Very bad decision | 40 | 23 | 15 |

Performance appraisal is an essential element of any promotion system which is based on merit. The appraisal system is a crucial element of the promotion process, in fact, it is the foundation of the system and therefore any lack of confidence in the system will amost certainly debase the promotion system. Although the Non Industrial staff report is seen primarily in terms of the promotion dimension, it serves an equally important function of career development and planning.

Before proceeding, it is worth noting that the staff report is written by the individual's immediate superior and passed to the author's superior for appraisal and supporting comment. The response to question 7(i) indicates that lower management are generally satisfied with the way that superiors mark staff reports. However, it is significant that 47% of PTO IIs thought that PTOs marked their subordinate's reports generously. Comments by senior staff who have served on selection boards indicate that over-marking is a problem. To illustrate the size of the problem, the 1981 PTO II selection board was tasked with selecing 20 PTO IIs. In accordance with normal practice the board had to select approximately 60 candidates to interview from a population of over a 1000 eligible candidates; based on staff report promotability assessment. To put the problem in perspective, the total population of this group is approximately 2,300 in other words 43% of the group had been assessed as eligible for promotion. It is speculated that if staff reports had been marked less generously the selection board's task may have been less arduous. However, the lack of promotion opportunities in 1981 raises the issue whether promotion opportunities of less than one per cent per annum act as an incentive. However, 1981 was not a representative year, but nevertheless the figure rarely exceeded three per cent per annum for PTO III to PTO II.

A member of the 1981 PTO III to PTO II promotion board commented on the difficulty of selecting candidates to interview when confronted with a large number of staff reports which did not adequately discriminate between the attributes of individuals. He went on to mention that personal knowledge of candidates, by selection board members sometimes plays a significant role in selecting interviewees. It is suggested that over generous marking may penalise some able individuals because they are unknown, on a personal basis, to board members. The unofficial selection

process tends to favour the more senior staff as there is a greater probability of them being acquainted with at least one member of the board. The response to question 7 (i) does suggest a degree of complacency with the current reporting system. Nevertheless there is an awareness by a significant number (47%) of PTO IIs that there is a lack of critical appraisal by PTO IIIs in the assessment of their staff's performance.

The reluctance of superiors to make discriminatory remarks about their subordinates has meant that members of promotion boards have adopted a less formal selection procedure. This feature of the current system is an argument for making each dockyard responsible for the selection of staff for promotion. Question 7(ii) was set to establish if there was support for increasing the control that each dockyard should have over selection of staff. The response showed that 73% of PTO IIs and 86% of PTO IIIs and IVs thought that each dockyard should have either complete or a significant amount of control over the selection of staff for promotion.

In searching for an explanation for this result it is suggested that the perceived remoteness of the present promotion system may engender a degree of doubt regarding its fairness, a point reinforced by the highly bureaucratic structure of the organisation in which the promotion system operates. The mechanics of the current promotion system are well understood by Non-Industrials ie, the staff report is the vehicle for getting an individual to the promotion board, but it is the individual's performance in front of the board which determines whether or not he is selected for promotion. The following remark is typical of comments received regarding question 7(ii) "only local management really knows if an individual is worthy of promotion".

The response does indicate that senior management would have the support of lower management if they decided to take the opportunity, afforded by the inevitable restructuring of the Dockyard organisation, following the June 1981 defence review, to develop a promotion system more reflective

of both organisational and individual expectations. Non-Industrials clearly feel that the present system does not demonstrate a clear link between performance and reward. The proposition therefore is that by involving local senior management more intimately with the selection process, the performance - reward link would be strengthened.

Further verification that there is an under-current of dissatisfaction with the present system may be found in the response to question 7(iii). There are two perfectly feasible explanations for this particular response, on the one hand there may be a genuine desire to return to a system of formal examination and on the other, it may represent a dissatisfaction with the current system and thus any system is considered preferably.

The survey shows that the desire to return to a system of formal examination is strongest amongst PTO IIs and decreases with managerial grade. A possible explanation for this difference in response between the grades is that the PTO II group may perceive themselves as being in a more favourable position to determine who should be permitted to sit any reconstituted formal promotion examination. This perception is probably based on the assumption that middle management would probably nominate candidates to sit these formal examinations.

A further point to emerge, is the group most critical to any re-introduction of these old type examinations is the group whose members would be most affected. It is speculated that similar criticism would be levelled at any written examination as there is at the current method of oral board - it tends to favour a particular group.

In summary it is difficult to ascertain whether there is a genuine desire or not for a re-introduction of these old type examinations or if the response simply indicates a dissatisfaction with the current system. My own observations and discussions suggest that it is a mixture of both.

A Pearson correlation was carried out between questions 7(ii) and 7(iii) to establish if any signfiicant correlation existed between the responses to these questions; it did not. This result is not altogether surprising as those attracted to examination tend to be those who do well in examinations and this attribute tends to be relatively independent of age or grade.

In concluding this section it is suggested that the attitude of superiors to performance appraisal, although one of generosity to subordinates is denying the organisation of the services of some able performers. In other words the practice increases the probability that an able man will be selected late for promotion or indeed missed.

Promotion Prospects and Selection of Promotion Board Candidates

This section will examine questions relating to promotion prospect and numbers of candidates called annually for a promotion interview. Clearly one of the purposes of the staff report is to identify those individuals worthy of promotion, in other words it acts as a filter. Some would argue that the organisation should interview all those assessed as either, Fitted or Well Fitted for promotion, this would be an almost impossible task as well as costly. To quantify the problem it would mean interviewing approximately 1000 PTO IIIs to fill some 20 PTO II posts, therefore a balance must be achieved between the desire of individuals and the requirements of the organisation. The current civil service promotion system has a number of features which have been built in to meet part-way the desire of staff; the right to appear before a selection board after a specific period in a grade for example.

As previously mentioned promotion may only be deemed as an effective reward if it is perceived as being achievable. If it is made too difficult it is unlikely to act as a motivator, against this, if it is made readily available to everyone, it may lose much of its value.

7.(iv) How do you assess your promotion prospect for promotion in the future?

| | PTO | II | III | IV |
|---|---|---|---|---|
| Good | | 8 | 10 | 10 |
| Fair | | 38 | 34 | 31 |
| Don't know | | 0 | 19 | 23 |
| Poor | | 45 | 27 | 23 |
| Very Poor | | 9 | 11 | 14 |

7.(v) Do you think that the number of candidates called for promotion board interview in relation to the number of vacancies is:

| | | | |
|---|---|---|---|
| Far too many | 4 | 14 | 22 |
| Too many | 43 | 32 | 27 |
| About right | 42 | 46 | 41 |
| Too few | 11 | 8 | 11 |
| Far too few | 0 | 1 | 0 |

7.(vi) How important do you consider it that all staff after 5 years in the grade have an automatic right to appear before a selection board?

| | | | |
|---|---|---|---|
| Very important | 23 | 27 | 24 |
| Important | 55 | 40 | 46 |
| Don't Know | 0 | 6 | 7 |
| Unimportant | 19 | 20 | 20 |
| Very unimportant | 2 | 7 | 4 |

An important dimension in any organisation is the career factor that is the position in the hierarchy that an individual may reasonably expect to aspire. Noting that the ratio of numbers in the three lower grades of management in ascending order is, 6.4,-3.8,-1.3 it is assessed that PTO III is the average career factor.

Turning to question 7(iv) it is important to note that the questionnaire was administered post publication of the Dockyard Study report and some four months prior to the announcement that there is to be a cessation of refitting at Chatham and a rundown at Portsmouth. In the wake of the June 1981 defence statement, it is therefore suggested that the

percentage of those assessing their promotion prospects as either "fair" or "good" would probably be somewhat less than 44%. The fact that only 44% assess their promotion prospects optimistically has important ramifications for managerial motivation. Is it realistic for the organisation to look on promotion as a motivator of good performance? As mentioned earlier promotion must be perceived as attainable to stimulate good performance. Indeed this result is surprising in view of promotion opportunities of between 1 and 3 per cent per annum mentioned earlier.

It has been custom and practice in recent years for certain promotion boards to be convened annually, however, in 1980 the PTO III to PTO II board was not convened, this fact may have influenced the response to question 7(iv). It would have been reasonable to assume that those nearing retiring age may have assessed their chance of promotion as low, but a Pearson correlation failed to establish a significant relationship between age and promotion expectation. However, this might be explained by the fact that there is no upper age limit above which Non-Industrials are not considered eligible for promotion. Thus the fact that there is no significant correlation between age and promotion expectation indicates that the promotion reward is a useful motivator up to retirement age.

Turning to question 7(v) opinion is evenly divided between those who think that the number of candidates called for interview is about right and those who think too many are called. The official policy is to call approximately three times the number of candidates as there are vacancies, but this ratio is normally increased to five to one by successful appelants and those exercising their right (5 years in the grade) to appear before a selection board.

It is difficult to establish whether P&T grades are aware of the candidate to vacancy ratio. From discussions some obviously are and these tend to be individuals who have been before a number of selection boards.

Thus the response to question 7(v) is probably based on a vague knowledge of the number of candidates called for interview.

Question 7(vi) was inserted to establish the support that the automatic right to appear before apromotion selection board after 5 years in a particular grade enjoyed at Rosyth. The National Chairman of P&T group, Mr WILL, described this right as the promotion system's safety valve. A respondent commented "over the years I have noticed that men under certain supervisors get less chance of obtaining a promotion interview than others and therefore this right provides them with some redress".

It is subjectively assessed that this right may nuture expectations that unfavourable staff reports can be neutralised in the confines of the interview room. These expectations are sustained by the knowledge that it is not uncommon for individuals exercising this right to be selected for promotion. However, this automatic right condition does highlight organisational-individual conflict because the individual's dockyard may find difficulty in placing him in a post in the higher grade because of local management's doubts about his ability and there is little opportunity to have him transferred.

To the individual, the right to appear before a promotion board is obviously perceived as providing him with an opportunity to demonstrate his suitability for promotion which he feels has gone unnoticed by his superiors. It could be argued from an organisational standpoint that this right, which is effectively a promotion system reduces organisational effectiveness by affording the opportunity to bypass a few less able performers to gain promotion. Against this, the automatic right is perhaps viewed as a counter balance to any feeling of remoteness created by the bureaucratic nature of the organisation. It is a matter of opinion whether or not organisational effectiveness is likely to be more than perceptibly affected by current regulations governing the promotion system, but in view of the support that

this aspect of the system enjoys, it would be foolish to delete the right to appear before a selection board. In the event of the promotion system being devolved, to the two remaining dockyards, (after 1984) the remoteness factor will be removed and consequentially a reappraisal would be appropriate.

The Experience and Seniority Dimension

The civil service has been subject to criticism (Garrett 1980) about its over-reliance on seniority as a pre-requisite for promotion. Since the publication of the Fulton report in 1968 there has been a developing awareness amongst senior civil servants prompted by comments in various Parliamentary Expenditure Committee reports that a seniority based promotion system does little to enhance organisational effectiveness. The concept of Buggin's turn was until recently accepted because seniority tended to be conveniently associated with experience. In a sense the seniority based promotion system provided the individual with a measure of security associated with the knowledge that if he performed satisfactorily he would be suitably rewarded with promotion.

Questions relating to experience and seniority were inserted, principally, to establish the degree of awareness among P&T grades of these issues. Loosely related to both of these points is the question of creating specific promotion eligibility windows in each grade.

7(vii) A report on the Civil Service in 1968 was critical of the fact that selection boards for promotion attached too much importance to the candidate's seniority. How would you assess the present situation?

| | PTO | II | III | IV |
|---|---|---|---|---|
| Greatly improved | | 17 | 4 | 4 |
| Improved | | 47 | 44 | 40 |
| Don't know | | 28 | 38 | 50 |
| Slightly worse | | 6 | 6 | 6 |
| Much worse | | 2 | 8 | 0 |

7.(viii) How much importance do you think promotion boards attach to experience when selecting candidates for promotion.

| | PTO | II | III | IV |
|---|---|---|---|---|
| Great importance | | 9 | 11 | 13 |
| Some importance | | 61 | 46 | 43 |
| Very little importance | | 21 | 33 | 33 |
| None | | 4 | 6 | 3 |
| Don't know | | 4 | 4 | 9 |

7.(ix) Do you think there should be specific zones for promotion, eg an individual is only eligible for promotion between 3 and 12 years in a grade?

| | | | |
|---|---|---|---|
| Strongly agree | 11 | 10 | 10 |
| Agree | 32 | 27 | 30 |
| Don't know | 6 | 3 | 6 |
| Disagree | 40 | 44 | 44 |
| Strongly disagree | 11 | 16 | 10 |

Question 7(vii) was inserted in the knowledge that the frame of reference of the respondents would probably permit only a subjective assessment, the size of the Don't Know response provided verification of this point. The interesting point is that approximately 50% of the sample thought that the situation had improved.

It is extremely difficult to ascertain how much weight a reporting officer assigns to seniority when assessing his subordinates suitability for promotion. However, there is a suggestion that Non-Industrial Trade Union appointed staff report scrutineers who are appointed by local officials from within the dockyards are more likely to query a 'well fitted' promotion assessment when awarded to an individual with only a few years seniority than to a more senior person in the same grade.

A point worth noting is that the 'Don't know' response is inversely proportional to grade suggesting perhaps that the more promotion boards an individual has successfully passed, the more he probably appreciates that seniority is not a significant determinant. However, an alternative explanation may be that the more senior grades are more reluctant to admit the weight they assign to seniority, in other words, publicly

acknowleding that merit, not seniority should be the criterion, but privately placing more emphasis on seniority because of association with the traditionally seniority orientated promotion system.

Moving on to explore the experience dimension it has already been suggested that there is a tendency to consider experience and seniority as quasi synonymous dimensions. Before attempting to analyse the response to question 7(viii) it is necessary to define what is meant by experience. Promotion boards define it as Breadth of knowledge, selection boards may award candidates up to 15% of total marks for this dimension. About 75% of the sample thought that 'some or very little importance' is attached to experience. This accords roughly with the percentage of marks allocated by the selection board. The PTO II group over-estimated the marks allocated for this attribute. From an organisational view point it is important that only experienced and able staff are promoted.

A way open to the dockyard to ensure that promotees have a minimum experience and also that very senior staff are not promoted, it to establish specific zones for promotion. Question 7.(ix) shows that this concept was attractive to less than 40% of respondents and that a high degree of unanimity between the grades was evident on this point. However, a number of amplifying comments were received to the effect that there should be a minimum period of service in each grade as a pre-requisite for appearing before a promotion board.

It is acknowledged that the concept of promotion zones would create problems of managerial obsolescence unless provision was made for some sort of phased retirement scheme for over-zoned staff. Significant numbers of over-zoned staff would undoubtedly create Non-Industrial motivation and job satisfaction problems for the organisation. The more challenging jobs would have to be reserved for those in-zone Non-Industrials to test their

skills. Certain benefits would accrue to the dockyard as the more important and key positions would be filled with staff who would be conscious of a strong link between performance and reward.

On the other hand the dockyard would have a group of managers who would be 'coasting' to pension with little incentive to keep abreast of latest techniques and practices. The size of this problem would be related to the ratio of in-zone to over-zoned managers. The advantages associated with and the arguments for and against promotion zones have been examined and it is concluded that although there would be merit in having a minimum time requirement in each grade, it would not be in the organisation's interest to have an upper limit. Support for this view may be inferred from the response to question 7.(iv) which shows that promotion expectations do not significantly diminish with age. This suggests that the dockyard should be able to rely on the promotion reward to motivate staff to within a few years of retirement age.

Managerial Authority

The inclusion of questions relating to managerial authority in this chapter, is justified, we believe, on the grounds that authority and responsibility may be correlated loosely with management grade which in turn is related to promotion. The desire to seek promotion is influenced by a complex interaction of several dimensions of which pay status and enhanced authority and responsibility are judged to be important. Thus expectation of greater responsibility may provide an inducement to gain promotion. An analysis of questions relating to authority should enable us to gain an idea of the Non-Industrial's perception of his authority and that of other grades. From this we hope to be able to deduce the

contribution that these two dimensions make to the attractiveness or the valency of the promotion reward. In other words what contribution does the $(P \rightarrow O)V$ term, for authority and responsibility, make to the overall $(P \rightarrow O)V$ term from our model.

We have mentioned both responsibility and authority and rather implied that these two dimensions are synonymous, this is not necessarily correct, a person can have a lot of authority without much responsibility. However, within the scope of the dockyard it is reasonable to assume for the majority of Non-Industrials, significant correlation exists between authority and responsibility. Thus inferences about authority may be assumed to apply to responsibility.

7.(x) How would you describe the degree of authority you have as a manager?

| | PTO | II | III | IV |
|---|---|---|---|---|
| A great deal | | 2 | 0 | 3 |
| Quite a bit | | 36 | 21 | 17 |
| Very little | | 57 | 60 | 46 |
| Occasional | | 4 | 11 | 10 |
| None | | 0 | 9 | 24 |

7.(xi) a. Do you think that there has been a decline in management authority over the past 10 years in the dockyard?

| | | | |
|---|---|---|---|
| Very considerable | 43 | 42 | 30 |
| Considerable | 40 | 50 | 44 |
| A little | 13 | 8 | 19 |
| None | 4 | 0 | 2 |
| Don't Know | 0 | 0 | 4 |

b. If yes - what tier of management do you think has lost most authority?

| | | | |
|---|---|---|---|
| Senior management | 11 | 14 | 10 |
| Middle management | 68 | 38 | 39 |
| Lower management | 21 | 48 | 50 |

7.(xii) There are eight tiers of management in the Dockyard's management structure. Do you regard this as

| | PTO | II | III | IV |
|---|---|---|---|---|
| Far too many | | 19 | 17 | 14 |
| Too many | | 64 | 57 | 59 |
| About right | | 17 | 27 | 25 |
| Too few | | 0 | 0 | 1 |
| Far too few | | 0 | 0 | 1 |

7.(xiii) Do you think the re-introduction of the post of Chargeman, as an industrial grade, in the dockyard would be

| | | | |
|---|---|---|---|
| Very good decision | 11 | 16 | 12 |
| Good decision | 38 | 29 | 15 |
| Don't know | 4 | 10 | 14 |
| Bad decision | 32 | 33 | 38 |
| Very bad decision | 15 | 12 | 21 |

Examining question 7(x) shows a considerable divergence of opinion between PTO IIs and other two grades on the question authority. The fact that 55% of respondents assessed their authority as 'very little' has important connotations for the dockyard, particularly in view of the importance respondents assigned to 'opportunity for responsibility' as a pre-requisite for job satisfaction. (See Q. 2 Appendix 2). This result does suggest that Non-Industrial expectations in this area are likely to mean that the $(P \rightarrow O)V$ term for responsibility and authority is likely to be low. We have already mentioned that responsibility and authority are not necessarily synonymous and to support this point some respondents commented that they had considerable responsibility, but in their opinion, they did not have a commensurate degree of authority.

A number of comments were received to the effect that the position of Non-Industrials in junior line management jobs was being systematically undermined by the attitude adopted by senior management; particular mention was made of the problem of enforcing discipline amongst Industrial grades. This group believe that they are in a no-win situation when they

try and enforce regulations. Senior management is perceived as making every endeavour to placate Industrial grades. It is perhaps fair to point out that in many cases, discipline charges brought against Industrials are dismissed because junior line managers had failed to follow the correct procedures. This serves simply to reinforce their view that the innumerable rules and regulations have been structured to make life difficult for the Non-Industrial.

Question 7(xi) shows that there is almost unanimous agreement that there has been a decline in management authority over the past ten years. There is some disagreement about the degree and which Non-Industrial grade has lost most. The tenor of comments which accompanied this question placed the blame for the decline of junior line managers' authority firmly at the door of senior management. Comments such as abdication of managerial responsibility, reluctance to deal with Trade Union intransigence, failure of senior managers to support junior line managers in their dealings with shop stewards and criticism about apparent lack of commitment to Rosyth dockyard by some senior managers serve to illustrate the depth of feeling on this issue. The relatively high turnover of senior managers was cited as being detrimental to the long term interest of the dockyard.

A feeling exists amongst some P&T grades that Rosyth dockyard is managed to a short horizon time frame, this point emerged from discussions and comments received. The relatively high turnover of senior managers certainly creates the impression that some decisions particularly in the field of Industrial Relations are based on expediency rather than in the long term interest of the dockyard. Although it should be pointed out that a determined effort has been made to ensure that management's terms for settling disputes must take full account of the long term interest.

A number of PTO IIs commented that the decline in managerial authority was attributed to excessive interference by outside authorities in particular the CED department. There is an awareness particularly at PTO II grade that pressure is sometimes exerted on senior management to settle industrial disputes, on terms not always in the dockyard's long term interest, so that work on the Polaris deterrent is not interrupted.

Finally PTO IIs consider that middle management's authority has declined most whereas PTO IIIs and IVs consider lower management's authority has declined the most, in other words each group perceive their group's authority having declined the most.

A feature normally associated with a bureaucratic organisation is an abundance of tiers of management. In Rosyth dockyard there are eight, although there are seldom more than seven in any chain. There is a widely held view among Non Industrials that there are too many tiers of management in the dockyard, the response to question 7(xii) supports this view. The PTO III and IV grades are marginally less critical of the current hierarchical structure than the PTO II grade. Although there is agreement that there are too many, there is little agreement concerning which and how many tiers should be abolished, a preference was stated for PTO I and PTO III grades with PPTO grade a close third. Based on a ratio of PTO IIIs to PTO IVs of 1:1 in the Technical supervisory role, suggests that one of these grades should be abolished and based on our survey, the suggestion is PTO III. However, the abolition of say the PTO III grade would have serious implications for promotion prospects. Any reduction in the number of tiers of management particularly at junior level would obviously affect opportunities for promotion and consequently the motivational value of the promotion reward. Thus the desire by the organisation to reduce the number of tiers of management must be weighed against the deleterious effect of reduced promotion prospects for staff.

This issue was mentioned briefly in Chapter 4.

To abolish one or even two tiers of management by edict in the dockyard might appear relatively simple, but it would be extremely difficult to execute in practice because of the Civil Service unified grading structure. It would, for example, make it virtually impossible to operate the common Civil Service system of career planning and promotion in the dockyard. This point serves to illustrate some of the problems arising from applying a rigid buraeucratic management system, designed for administering the function of government, to a jobbing industry. The unsatisfactory state of the management system is further underlined by the fact that 60% of PTO IIIs and IVs directly supervise two or less (Question 37 Appendix 1). A common theme in many of the amplifying remarks was criticism of the proliferation of Non-Industrial posts over the past 20 years. Indeed one can detect a feeling among some Non-Industrials that they would welcome a reduction in the number of posts provided it did not directly affect them.

One way that a reduction in the number of tiers of management could be achieved would be to abolish the lowest tier of management, the PTO IV (T/S) grade. This would also have the effect of reducing the number of Non-Industrial grades, for example at Rosyth; this would reduce the Non-Industrials by approximately 300. The basic work group in the dockyard is the workgang, this consists of between 6 to 12 Industrials. The managerial grade who directly supervises this group is the PTO IV (Technical supervisor). However, the workgang until the 1960s was supervised by an Industrial grade known as a chargehand. It is considered by some Non-Industrials that a return to that system would counter the influence of the workgang's shop steward. To establish the support that such a radical move might enjoy we need to examine the question 7(xiii).

Opinion amongst PTO IIs and IIIs is evenly divided regarding the re-introduction of the post of chargeman as an Industrial grade. As anticipated the idea finds little favour among PTO IVs, this group would be directly affected by the re-introduction of this post. Obviously PTO IV respondents were prompted to consider their own future by this question, would they be reverted to Industrial status or might their grade be amalgamated with the PTO III grade? This question obviously created uncertainty.

The demise of substantial numbers of PTO IVs to Industrial status would be an emotive issue, for the individuals involved it would mean a loss of status, their perception of their standing in the community would also be affected. One respondent mentioned of loss of creditability in the eyes of the workforce. However, a few respondents pointed out that there would be considerable financial advantages, an Industrial chargeman would be eligible to participate in the DES and as it is anticipated that they would also receive some sort of charge allowance, the consensus was that it would be very attractive financially.

Although the resurrection of the chargehand's post has certain attractions with respect to countering shop steward influence, it would do nothing to simplify the current management structure.

As the objective is to improve organisational effectiveness, it is highly improbable that this could be achieved with a group of key individuals stripped of their 'white collar' status. Finally the survey shows that support for re-introduction of the chargehand does not warrant the organisation exploring this option, it would be detrimental to both the organisation and the individual.

## The Trade Union Dimension

No discussion relating to managerial authority in the workplace would be complete without reference to the shop steward's position. Many features

of modern day society in particular greater individual self-confidence, emphasis on rights rather than obligations and encouragement to question and criticise have been reflected in a progressive increase in the assertiveness of shop stewards. In parallel with this trend there has been a drift of policy in many trade unions towards devolving power to the shop floor. This shift in power from the full time trade union official residing in the local trade union headquarters has resulted in senior management having to negotiate with a different type of trade union representative. Whereas the full-time official was remote from the shop floor the shop steward is likely to be a member of a workgang and therefore in direct contact with junior line management. In dispute situation it is rare for junior line management grades to participate in negotiations. It is normal practice for these to be conducted between senior management or the Personnel department, the shop stewards directly involved and the appropriate senior shop stewards. This practice tends to leave junior line managers isolated.

7.(xiv). What do you think greater Trade Union participation in the day to day business of the Dockyard will mean to you as a manager?

| | PTO | II | III | IV |
|---|---|---|---|---|
| More Authority | | 2 | 0 | 2 |
| Slightly more authority | | 2 | 4 | 3 |
| No change | | 19 | 27 | 35 |
| Less Authority | | 64 | 52 | 50 |
| Much Less Authority | | 13 | 16 | 10 |

The response to question 7(xiv) should be considered against the backcloth of the shop stewards enhanced role and the concomitant apparent decline in lower line management's authority, a point which is supported by the response to question 7.(xi). Another development which indicates greater trade union participation concerns an EEC initiative which suggests that workers should be offered statutory participation in decisions made by all, but the smallest firms. Adoption of this suggestion would undoubtedly

be seen by junior line managers as a further transfer of authority away from lower management and consequent degradation of their position.

Examining lower management perception of the current situation, we have an interesting response to question 7.(xiv) although the three grades consider that greater trade union participation will mean a decrease in managerial authority, the survey shows that first level supervisors (PTO IV) see this as less of a problem than do more senior grades. There is a fashionable view among management that increased trade union participation means less managerial authority.

In Rosyth Dockyard trade union participation takes a number of different forms, there are joint management committees monitoring overtime, production and general conditions of service. The current focus of trade union participation involves the DES with its 32 full time trade union representatives of senior shop steward status. But probably the area where trade union participation makes the greatest impact in the day to day activities of the dockyard, centres on theHealth and Safety at Work legislation and the six full time trade union representatives employed in this field. These full time representatives are supported by part time representatives in the various trade centres throughout the dockyard.

The perceived authority of the safety representatives is frequently criticised by Non-Industrials in junior line management positions. The application of Health and Safety standards in a dockyard, must by the nature of the work be a combination of experience, judgement and interpretation of regulations. The Industrial workforce is not slow on occasion to use the Health and Safety dimension to usurp the authority of management in general and lower management in particular. Because of the judgemental aspect of what is or is not acceptable, middle/senior management are placed in an awkward position. They must be seen to be acting responsibly and because from their remoter position they are in a better position to make a more objective assessment than the immediate supervisor, their assessment tends

to coincide with that of the full time safety representative. The net result is that lower management feel let down. Lower management are in an unenviable position, they are exhorted by their superiors to maintain progress whilst simultaneously they are harried by alliance of senior management and trade unionist to satisfy Health and Safety requirement.

It is argued that it is these situational factors which most influence the views of respondents in assessing the effect of greater trade union participation on their authority. Although first line supervisors do not fear more participation quite as much as their superiors, nevertheless the survey does show that further participation is perceived as a diminution of managerial authority by the majority of respondents.

It would be totally unrealistic for management to attempt to try and roll back the inexorable advance of participation. Management must endeavour to manipulate the aspirations of Industrials to encourage genuine co-operation and develop a climate conducive to the abandonment of some of the more restrictive work practices. The attainment of such objectives will undoubtedly mean a less autocratic and structured style of management, but this need not necessarily mean a decrease in the authority of managers.

SUMMARY

Before moving on to explore and develop an alternative promotion system, the main points to emerge from our analysis of the substantive issues relating to promotion and managerial authority are summarised below:

a. Non-Industrials at Rosyth Dockyard consider that each dockyard should have greater control over the selection of staff for promotion.

b. There is a general belief that seniority is still a significant moderating factor in the selection of staff for promotion.

c. The automatic right to appear before a promotion selection board is considered a valued right.

d. A strong belief exists among Non-Industrial grades at Rosyth that managerial authority has declined over the past 10 years.

e. There is an awareness among PTO II, III, and IV grades that there are too many tiers of management in the dockyard's hierarchical structure although there is no general consensus about which tier/ tiers should be abolished.

f. Greater trade union participation in the running of the dockyard is perceived as a threat to management's authority.

These points are indicative and a manifestation of certain organisational weaknesses namely, perceived remoteness of senior management by junior employees, an over dependency on bureaucracy and a reluctance to devolve managerial authority coupled with an ascendancy of trade union power. These characteristics are not conducive to the stimulation and development of innovative management behaviour which is important to the effective performance of a jobbing industry. Thus in order for any alternative promotion system to create impact an attempt must be made to correct some of the more debilitating affects emanating from these weaknesses. This will be difficult. For example, one way to remove remoteness and increase authority might be to reduce the number of tiers of management and managers, but this would greatly reduce promotion opportunities. A reduction in the number of promotion opportunities would inevitably diminish the value of the promotion reward to the organisation.

However, we shall move on to examine an alternative promotion system in the knowledge that little can or is likely to be done to correct these weaknesses in the short term. But nevertheless it is considered that by strengthening the performance promotion reward link a contribution would be made to organisational effectiveness.

# TOWARDS AN ALTERNATIVE SYSTEM OF PROMOTION

## Introduction

Arising from our earlier examination of the Civil Service promotion system, as operated in Naval dockyards two interrelated weaknesses were identified. These were, firstly the tenuousness of the link between the promotion reward and performance at the workplace and secondly, the lack of discrimination in staff reporting. Implicit in our criticism of the Civil Service promotion system, in Chapter 4, is that it has a propensity to encourage mediocrity. This perspective is of course an over-simplification of the issue. But the weaknesses we have identified in the promotion process may prejudice attempts to improve the motivation of junior Non-Industrial grades.

This section will be concerned with developing an alternative promotion process which will strengthen the link between the promotion reward and performance. We will start by surveying factors relevant to any promotion system and then move on to examine the interaction between motivation and the promotion reward using the Expectancy model developed in Chapter 1. The case for a dockyard based promotion system will be examined and principles established for a proposed alternative promotion process. In the final section we shall describe the operation of the proposed alternative system.

The promotion process which we shall offer, as an alternative, has been structured to take account of the preferences of the P & T grades as revealed by the survey. A system based on the preferences of Non-Industrials is more likely to promote behaviour favourably to the aims of dockyard management than a system which has been arbitrarily

introduced without cognizance of peoples' views.

Factors Relevant to an Alternative Promotion System

In the Civil Service promotion is the principal reward for merit. It offers civil servants the promise of future rewards in return for present efforts. However, a necessary pre-requisite for the promotion reward to stimulate effort is that its availability should be perceived clearly, in other words people must have reasonable expectation of promotion. In any organisation opportunities for promotion are a function of organisation size, staff turnover, number of managers, number of tiers of management and whether the organisation is expanding, steady state or contracting.

Relating these factors to the dockyard as an organisation, on the one hand we have a large undertaking with a high ratio of 'white' to 'blue' collar worker and a long management chain and on the other we have low staff turnover and a contracting organisation. It is these last two factors which largely determine promotion opportunities in an organisation.

Relating these factors to the dockyards we have low staff turnover, a fact clearly illustrated by the response to question number (40 ) from the questionnaire. In addition, the projected rundown of the dockyard service will reduce promotion opportunities, at least in the short term. Another factor which could further reduce promotion opportunities concerns the number of tiers of management in the dockyard's structure. In Chapter 3 we were critical of the length of the management chain and indeed the survey showed (question 7.xii) that the P & T group themselves were conscious that there were too many tiers of management at Rosyth Dockyard. To complete this analysis, the inference from the response to questions relating to authority and responsibility suggests that the total Non-Industrial population at Rosyth Dockyard is considered by the P & T group to be too large.

This brief analysis would indicate that irrespective of what action is likely to be taken in the future, save for a rapid expansion of the dockyard service, promotion prospects for P & T grades working in dockyards are likely to decline. If promotion prospects are perceived to have declined significantly by staff, then this will diminish its value as a motivator of good performance. If promotion opportunities decline significantly from 3% per annum per grade then their value as a meaningful reward would be debatable.

Recent discussions with the Deputy Personnel Manager at Rosyth revealed that to maintain a population of approximately 30 PTO Is it would be necessary to promote 3 PTO IIs per year from a population of 130. Assuming that Rosyth's requirement is representative of dockyard needs this provides a promotion factor of slightly less than 2.5% per annum for the PTO II grade. Although this figure is less than 3%, it is considered that promotion is still a meaningful reward for PTO IIs.

Theoretical Considerations

We have already indicated that a practical promotion process consists of two distinct phases.

a. Performance assessment of candidates.

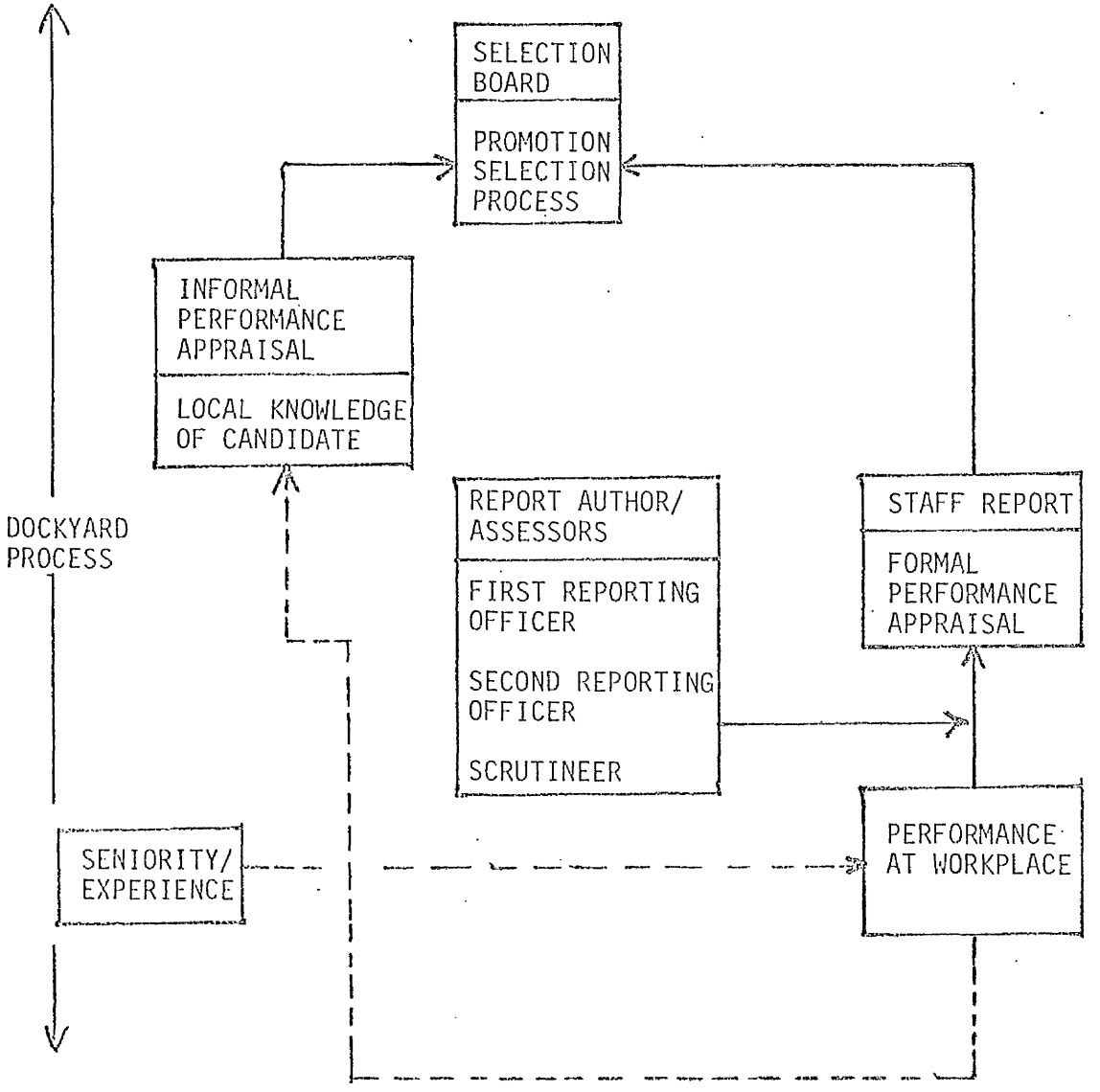
b. Selection of candidates for promotion.

With the aid of the Expectancy model set out in Chapter 1 we will analyse the two phases of the promotion process to enable us to propose standards for staff reporting and determine an appropriate method for selecting staff for promotion. Our theoretical expression for motivation is:

$$\left[\sum(E \rightarrow P)\right] \times \left[\sum(P \rightarrow O)(V)\right]$$

The second term of the expression $(P\text{-}O)(V)$ may be rewritten as follows $\underset{\text{Staff Report}}{(P \rightarrow O)(V)} + \underset{\text{Promotion}}{(P \rightarrow O)(V)}$.

Figure 7.1 Model of an Alternative Promotion System



Thus within the frame of reference of the promotion process we have two outcomes for good performance, rewards emanating from good staff reports and promotion. In order that each term may make a positive contribution to motivation the outcomes (V) must be desired. Assuming that promotion is a desired outcome, it should be the reward for a series of good staff reports. Thus our proposition is that there should be a strong link between a series of good staff reports and the promotion reward. To achieve this, staff reports must reflect accurately the performance of individuals and secondly promotion must be based on performance at the workplace rather than in the confines of the interview room.

The Case for a Dockyard Based Promotion System

We shall move on to develop a model for an alternative promotion system drawing on the considerations emanating from our theoretical analysis of the promotion process. To assist in the development of an alternative system a model of a proposed system is set out at Figure 7.1. This model is a derivative of the model (Figure 4.1) shown at Chapter 4. From this model we will go on to formulate a proposed system of promotion which we believe would be more attuned to the needs of Naval dockyards. The alternative system, is designed to eliminate the major weaknesses identified in the current system.

Firstly, it would meet the desires of the P & T group at Rosyth who showed a strong preference for the management at each dockyard having greater control over the selection of staff for promotion. Devolving the promotion process to each dockyard would reduce the degree of remoteness which is a feature of the present system. It is speculated that this in turn would lessen the importance attached to the automatic right to appear before a promotion selection board after having served five years in a particular grade.

Secondly, it would avoid dockyard management being landed with an individual who has been promoted, but in whom they have little confidence. This situation can arise when a person exercising their right to a promotion interview is selected for promotion, a not uncommon event.

Thirdly, it would provide flexibility, permitting local management to select the right number of people for promotion of the right disciplines to match actual needs. Currently it is not uncommon for there to be an overbearing of staff in one discipline with an underbearing in another. This necessitates local management promoting staff on a temporary basis to cover the shortfall.

Fourthly, and perhaps most importantly, it strengthens the link between performance in the workplace and the promotion reward. Although we would advocate the retention of the formal selection board its members would be able to draw on first hand knowledge of the candidates to assist them in deciding who to select for promotion.

The concept of introducing a dockyard based promotion system has been discussed with senior management at Rosyth. Indeed Rosyth dockyard is currently endeavouring to gain greater control over the selection of candidates for promotion. A short list of favoured candidates is compiled locally and forwarded to the selection boards. However, Rosyth's attempt to link the promotion reward more closely to performance in the workplace has not been enthusiastically received by Headquarters. In addition there are indications that the IPCS is suspicious of Rosyth's initiative. Thus there is a distinct danger that this enlightened approach may not be endorsed for reasons which are at present unclear.

Principles for a Dockyard Based Promotion System

Before moving on to discuss the details of a dockyard based promotion system there is a need to evolve some general principles for the

operation of the process within the frame of reference that we have proposed. For example, do we wish to promote candidates on potential or proven ability? As we are dealing with a group whose career expectation is relatively modest then proven ability rather than potential is considered to be more important. In other words initiative and capacity for innovation would be key attributes in the supervising and managing of jobbing work.

The next aspect to consider relates to the type of climate we would wish to promote in the dockyard. For example do we want a highly competitive climate or do we wish to promote group consciousness with its concomitant co-operation? These considerations will influence the status that the organisation accords to the promotion dimension. It is important that promotion not only serves to prompt good performance, but also serves the function of providing the organisation with a continual supply of able replacements for staff who leave the organisation.

There are potential dangers for any organisation which attempts to link promotion too tightly to performance. Tensions may be introduced into the organisation leading to a lack of co-operation among peers competing for the same promotion reward.

Operation of a Dockyard Based Promotion System

Dealing firstly with the performance appraisal issue, we have already examined the current Civil Service staff reporting system and noted its comprehensiveness. The reporting system satisfies the majority of criteria considered by the literature to be necessary for an effective appraisal system. It is our judgement that the current staff reporting system needs little alteration. However, whether the staff reporting system would need to be as comprehensive as it is now to support a devolved promotion system is a matter for conjecture. However, the fact that the mechanics of the system are well understood and that the

system appears to enjoy confidence strongly indicates that it should not be altered greatly.

There is however, one aspect of the system which needs attention, that of slack staff reporting. We have already mentioned this point, but the need for discriminatory staff reporting cannot be over-emphasised. The current tendency to over mark staff is unfair to good performers and is harmful to the organisation in the long term.

As the practice of over-marking staff would be potentially highly damaging to the devolved promotion system a necessary pre-requisite would be the institution of local seminars on staff reporting practice. The objective of these seminars would be to set stnadards for performance appraisal of staff. A useful technique for maintaining a reasonable degree of discrimination in staff appraisal is to set quotas for each assessment scale. This creates a momentum of its own for encouraging sound standards of staff reporting.

Turning to the selection process, it is considered that in order to maintain the impact of the promotion reward, selection boards would continue to be convened annually. The process would be started each year by the General Manager convening selection boards, one board for each grade. Membership of each board being adjusted as necessary to accommodate the three main disciplines of mechanical, electrical and constructive.

The function of each sleection board would be to select appropriate candidates for promotion based on their staff reports, but interview them solely to establish if they had the necessary flair and presence to carry out the duties and responsibilities of the higher grade. To ensure that the staff report was the dominant influence on whether or not a person was promoted we would propose that selection board marks should

be allocated as follows.. This allocation of marks would represent a departure from current board marking practice.

i. Staff reports 75%

ii. Performance at Board 25%

To give some idea of the numbers of staff that would need to be promoted each year at Rosyth we have estimated that approximately 10 PTO IIs and 25 PTO IIIs would need to be promoted to maintain a population of 130 PTO IIs and 350 PTO IIIs based on an average age on promotion of 40 and 35 years respectively. For Devonport these numbers should be multiplied by 3. In the event of there being insufficient candidates of the right calibre at one dockyard, appointing between the two dockyards would be necessary so that well qualified staff in one dockyard would not be discriminated against for promotion. To overcome the problem of common standards one member of each selection could be drawn from the other dockyard.

The problem of ensuring a minimum level of experience for promotion candidates could be catered for by creating specific selection zones. For example before a Non-Industrial could be considered for promotion he would have to serve a specified minimum time in his present grade. This minimum period could be set by consultation between the Non-Industrial trade union and local dockyard senior management. As a result of the response to question 7.ix we would not be inclined to set an upper limit for promotion.

# CHAPTER 8

# TOWARDS AN ALTERNATIVE PAY SYSTEM

## Introduction

This chapter will examine and discuss alternatives to the current payment by time system for Non-Industrials in dockyards. It is not the intention to design a specific new payment system for Non-Industrials, but to provide suggestions concerning the development of an alternative pay system. The design of an effective pay system depends to some extent on judgement, but nevertheless an appropriate pay system is one which 'fits in' well with the situation in the dockyard and provides for its main requirements.

The examination of the current pay system in Chapter 3 revealed that despite relatively high levels of gross pay there appeared to be weak 'managerial' control over the relationship between these earnings and productivity. This has been attributed to the fact that no perceived link exists between performance and pay in the dockyards. On the assumption that this prognosis is sensibly correct, it would indicate that any alternative pay system would need to embody an element which links pay to dockyard output. The proposition that an alternative pay system should include a major incentive element accords with Megaw's (1982) preference for performance-related pay.

To guide us in the development of an appropriate pay system embodying a major incentive element we will draw on the results from the questionnaire. The survey, for example, showed that the P&T group were favourably inclined towards the idea of being included in the DES.

This chapter will be set out in three parts. Firstly, we shall develop the outline for an alternative pay model. Secondly, we shall deal with the incentive issue focussing on the development of an appropriate performance-related pay system for Non-Industrials in dockyards. Thirdly, we shall discuss an alternative method of pay distribution for

Non-Industrials.

## An Outline Model for a Non-Industrial Pay System

White (1981) in analysing the appropriateness of a pay system stated that it was useful to think of pay system design as involving five main choices of emphasis. We shall draw on White's work to develop a model for an alternative pay system for Non-Industrial grades working in dockyards. White's five main choices of emphasis are:

a. A choice between linking the system to external comparisons or making it relatively independent of external comparisons.

b. A choice between emphasising internal comaprability (ie uniform across departments and equivalent groups) or emphasising 'de-coupled' structures (ie where the different department may have different pay provisions).

c. A choice between systems that are based on universal rules (rules which apply to all equally - as in job grading) or those where many salary decisions are made on a personal case-by-case basis.

d. A choice between systems which are based on fixed increments, or systems that are not based on increments, but on some variable review method.

e. A choice between systems that include a major incentive element, ie a part of the pay varies with performance - and those which include little or no incentive element.

Set out at Table 8.1 in synopsis form are the key choices for salaried staff pay schemes.

Table 8.1 Key Choices for Salaried Staff Pay Schemes

| a. Emphasis on external comparability. | No emphasis on external comparability |
|---|---|
| i. Competitive job market<br>ii. Mobile staff<br>iii. Standard jobs inter-changeable between firms<br>iv. Formal qualifications required. | i. Geographical remoteness of firm.<br>ii. Jobs and skills special to firm. |
| b. Emphasis on internal comparability | Emphasis on separate or 'de-coupled' treatment of staff. |
| i. Internal mobility<br>ii. High contact and communication between staff groups. | i. Highly specialised staff groups with important role |
| c. Emphasis on universal rules. | Emphasis on personal case by case treatment. |
| i. Size of organisation large | i. Size of organisation<br>ii. Family managed type of business.<br>iii. Fluid - rapidly changing situation. |
| d. Emphasis on fixed increments | Emphasis on variable review method. |

| | |
|---|---|
| i. Long term career commitment of staff to organisation<br>ii. High stability of staff in their jobs<br>iii. Size of organisation large (tendency to bureaucracy)<br>iv. Inflationary pressure | i. Mobile staff<br>ii. Rapid career progression.<br>iii. Financial instability of business. |
| e. Emphasis on incentives | No use of incentives |
| i. High degree of performance measurement for salaried staff | i. Not possible to measure performance of salaried staff. |

In practice, these choices are not between two simple extremes, but more a matter of finding a suitable balance between the extremes.

As this chapter will be concerned mainly with the question of incentives we shall first deal briefly with the other four main choices of emphasis. We have already discussed the dimensions that these choices embody, albeit not in the format set out by White. However, as these factors have great relevance to the design of any pay system the salient points from our earlier examination will be drawn together to provide an outline model for a dockyard pay system.

Dependent Versus Independent of External Comparisons

We have already seen that pay levels in the Civil Service have been set by external comparisons and although this method has been the subject of much debate, it is difficult to see an acceptable alternative being developed. Indeed Megaw (1982) recommended external comparisons should

continue to be used, but they should have a much less decisive influence than in the past. Thus in the absence of any viable alternative, the basic pay of dockyard Non-Industrials should continue to be set by comparisons with similar groups employed on comparable work, but modified by the dockyard's ability to recruit and retain staff.

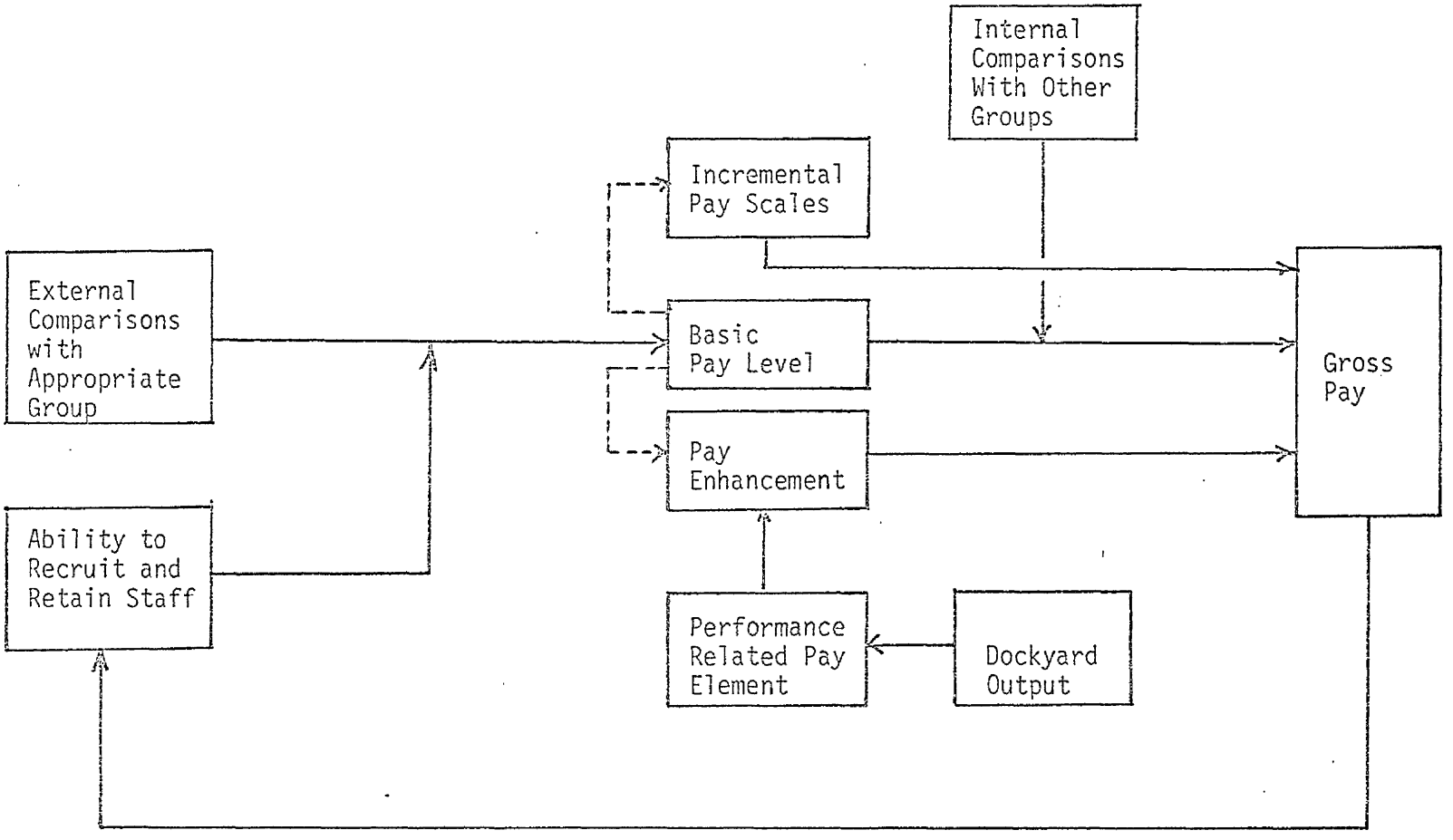
Uniform Versus Decoupled Pay Structure. We have already noted the problems that can occur as the result of the existence of horizontal differentials. In any organisation where people have been accustomed to operating within a grading structure which has a system of officially recognised equivalent grades it is important that horizontal differentials are not permitted to develop. It is important therefore that a pay system dependent on external comparisons should be sufficiently flexible to avoid divisive horizontal pay differentials emerging.

Universal Rules versus Personal Basis. The choice here is self evident as we are dealing with a large organisation. There is, however, an opportunity to introduce an element of personal choice in determining an appropriate method for pay distribution. At the end of this chapter we shall examine an alternative method of pay distribution which incorporates an element of individual choice. However, on the question of basic pay, universal rules are deemed to be of paramount importance.

Increments - Fixed or Based on a Variable Review Method. The advantage of fixed increments is that it removes the element of uncertainty. Although fixed increments represent a financial commitment by the organisation this is considered to be outweighed by the benefits of paying inexperienced staff less than experienced staff. In the dockyard where staff think of their employment as a long term career an incremental approach is most appropriate.

Incentive Element. Whether or not an organisation incorporates a performance-related incentive element in its pay system is much less dependent on outside circumstances than any of the other choices. The

Figure 8.2 Outline Pay Model for Non-Industrials in Dockyards



main constraint is whether it is possible and meaningful to measure performance in the type of jobs. White (1981) queries whether it is meaningful to apply an incentive scheme to government services, but he does acknowledge that developments in measuring performance and defining 'white' collar tasks enlarge the scope for incentives. In the rather special situation that civil servants find themselves in dockyards, the problem of performance measurement is not insurmountable. Set out at Appendix 3 is an illustration of how performance is currently measured in support of the DES.

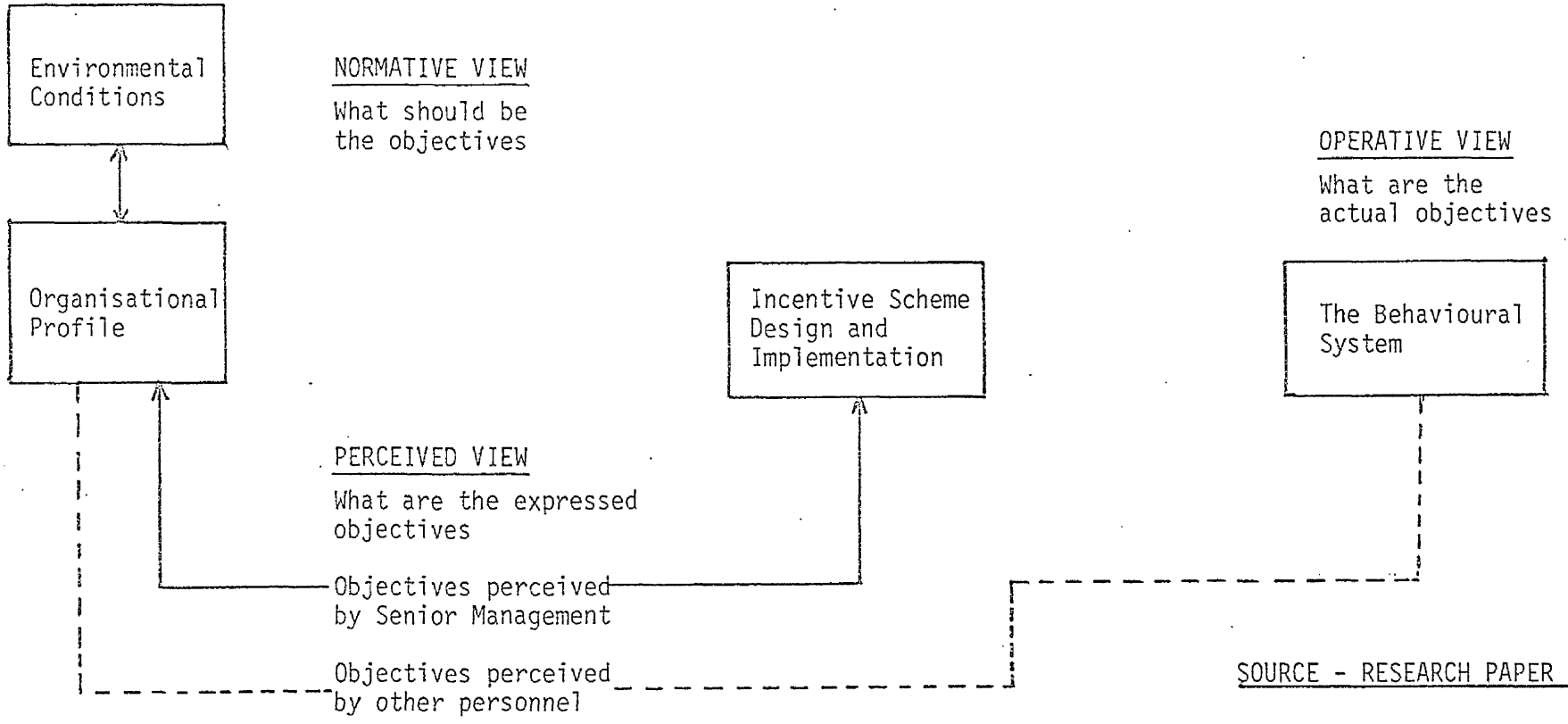
Before applying an incentive system to Non-Industrials we must be quite clear what we are trying to achieve. For example, do we want them to work harder? The answer is not necessarily yes, but certainly we would expect a higher quality of work coupled with greater commitment. Justification for the introduction of an incentive scheme is based on the proposition that by improving the quality of work done by Non Industrial grades and strengthening their commitment will result in improved dockyard performance.

Before moving on to examine and explore the issue of performance-related pay, we shall construct a model of a proposed pay system (Figure 8.2) based on our brief treatise of White's (1981) five main choices of emphasis for a pay system.

## Incentive Scheme Objectives

Before proceeding to examine the distinguishing features of incentive schemes, it is necessary to examine incentive scheme objectives from both organisational and employee standpoints. Clearly the expectations of senior management will differ from that of junior management which in turn will differ from that of Industrial grades. Indeed Perrow (1962) makes a further distinction between 'official goal statements' of interest for the organisation as a whole and 'operation goals' or the ends sought

FIGURE 8.3. The Analytical Approach to Incentive Payment Scheme Objectives




SOURCE - RESEARCH PAPER No 36

through the operating activities of the organisation. The reconciliation of these conflicting organisational objectives and individual expectations will be central to the success of any incentive system.

The appropriateness of a particular incentive system will depend not only on the nature of organisational and environmental characteristics and their interrelationships, but also on the process for formulating objectives. An appreciation of organisational objectives is therefore important for two reasons. First, it provides a basis for assessing whether the scheme selected is appropriate to the organisational precepts. Second, the corporate objectives are themselves an important frame of reference for the design of an appropriate incentive system.

Bowey and Thorpe (1982) examined incentive scheme objectives using a three behavioural perspectives approach which is best illustrated by the model (Figure 8.3) which they developed.

The model (Figure 8.3) suggests that a successful incentive scheme must inevitably be a compromise to accommodate conflicting organisational goals and individual expectations.

Pros and Cons of Principal Distinguishing Features of Incentive Systems

For convenience the principal distinguishing features of incentive systems are set out in Table 8.4 to identify the strengths and weaknesses associated with each dimension. The table provides a vehicle to appraise theoretical, situational and practical considerations relevant to the formulation of any incentive scheme for Non-Industrial grades in dockyards. It has emerged from an examination of the literature that there are persuasive arguments to support the concept of an incentive approach as a method of improving dockyard effectiveness. Indeed Megaw (1982) stated that performance-related pay should be introduced at all but the most senior levels. The translation of the concept of performance-related pay into a workable and practical scheme presents difficulties. Inevitably

Table 8.4. Distinguishing Features of Incentive Schemes

| | PROS | CONS |
|---|---|---|
| Individual Based Incentive Scheme | Link between performance and reward strong. Relatively easy to achieve high discrimination between different levels of performance providing work is amenable to easy measurement. | Individual manager's contribution difficult to measure because interdependency of work encourages individualistic type behaviour. Administrative costs relatively high. |
| Group Based Incentive Scheme | Encourage group consciousness and socially integrative behaviour. Low administrative cost. Ideally suited to a complex jobbing work situation where supervisor initiative and innovation is important. | Link between performance and reward weak. Difficult to measure individual contribution |
| Quantitative Based Performance Measurement | Discrimination between various levels of performance relatively easy to action. Reliability of effect in dockyard easy to measure ship completion dates achieved time. | Difficult to introduce where work measurement is complex. Difficult to apply to staff type work. Cost administration high for some type of work estimating ie jobbing in comparative estimating. |

| | | |
|---|---|---|
| Qualitative Based | Relatively easy to introduce. Cost of maintaining system likely to be minimal if linked to current staff reporting system. Can be made applicable to all levels of management. | Discrimination difficult to achieve owing to reluctance of supervisor to make discriminatory remarks about subordinates |
| Lower Management (supervisory grades) Participation | Reduces Industrial grades scepticism if their supervisors are seen to participate (Assume both groups are subject to the same incentive schemes). Collective contribution by lower management is potentially high owing to nature of work - complex jobbing. Improves commitment of individuals. | Ability to affect strategic aspect od dockya planning and controlling limited. Size of bonus relative to salary is likely to be relatively moderate. Number of variants of the scheme to cater fo different occupational groups likely to be strictly limited. |
| Midd/Senior Management Participation | Contribution in the strategic sense would be relatively easy to associate with individual managers | Little affect on the day to day performance work group. Current Civil Service regulatic would make it difficult to include senior management in any incentive scheme owing to relatively high mobility. |

| | | |
|---|---|---|
| Regular Salary Enhancement (Monthly) | Reinforces commitment to incentive scheme Enables a degree of predictability to be engendered. Retains link albeit tenuously between performance and reward. | Relatively high administrative cost. Tendency for bonus payment to be subsumed into basic salary. |
| Annual Bonus Payment | Relatively cheap to administer | Deferred reward weakens Performance - reward link. The remoteness of bonus payment from day to day activities weakens the incentive salary. |

theoretical considerations become tainted and compromised by realities imposed by organisational characteristics and practical considerations. Thus the formulation of any incentive scheme must be a compromise between the conflicting requirements of theory and practice. In addition, any incentive scheme must have the capability and facility to accommodate change.

It is vitally important that an incentive scheme is not seen just in the narrow context of increasing pay by encouraging people to work harder, but rather in the opportunity it creates to permit management to make wide changes in the organisation thereby creating the potential for increased productivity. One of the key findings of recent research by Bowey and Thorpe et al (1982) is that when firms install incentive schemes they often fail to carry through the motivational assumptions underlying the incentive scheme to all facets of the organisation. The Researchers commented that some firms miss the opportunity to make wider changes that would reinforce the scheme or yield other benefits to the organisation as a whole, such as the introduction of new technology or a change in operating systems. However, in some organisations, Trade Union resistance and intransigence may prevent management from exploiting the full potential of an incentive scheme. Indeed the introduction of the DES into the dockyards is an example of how Trade Union attitudes prevented the potential benefits of the scheme being fully realised.

A convenient starting point for the appraisal of the distinguishing features of incentives systems is to determine precisely which dimensions we believe are necessary for improved organisation performance. It is objectively assessed, based on the literature in general and the Expectancy model in particular that the following features are a necessary pre-requisite for improved dockyard performance.

a. Strengthening of the performance-reward link.

b. Encouragement of group consciousness and socially integrative

behaviour.

c. Mechanism to facilitate continual reinforcement of commitment.

d. Cultivation of a climate of trust between Non-Industrials and Industrial grades, in other words the need to promote a sense of identity between the P & T Group and shopfloor workers.

In addition there is a need to ensure that the sceheme is not perceived as being remote, thus control should be exercised locally as approved to centrally.

Relating 'a' and 'b' to Table 8.4 it can be seen that a conflict emerges whether the dockyard should be advised to adopt an Individual or Group based incentive scheme. There is a view held by Merrett et al (1968) that managerial grades respond better to an individually based incentive scheme because of enhanced competitive behaviour associated with that group compared to 'blue' collar groups. Thus from a motivational consideration an individually based scheme would be most appropriate for dockyard Non-Industrials. But a fundamental question is whether the inducement of competitive behaviour would be consistent with ship repair work. As ship repair work is a multi discipline jobbing activity where inter-group co-operation between workgangs takes on a special significance an individually based incentive scheme would be harmful to the dockyard. Indeed the progressive increase in nuclear submarine refitting gives added impetus for the need to strengthen the co-operation dimension.

However, it must be borne in mind that one of the chief potential weaknesses of group bonus schemes lies in the relatively low incentive they provide to the individual. Although in some instances it may be possible to offset or compensate for this low incentive by providing opportunities for each employee to participate so that he may perceive his contribution to improved performance, this would be difficult to achieve in practice. Noting the size of the dockyards and the current

highly bureaucratic style of management, the participative approach as a means of compensating for group incentive scheme weaknesses is not a feasible proposition.

Moving on to discuss 'c', the reinforcement of commitment, this will be discussed under two headings, initial commitment and continuation of commitment. Although both dimensions are interrelated, for clarity, we shall deal with them separately.

Dealing firstly, with initial commitment or acceptance of the incentive by employees. Bowey and Thorpe et al (1982) found that the breadth and extent of consultation and negotiation in preparation for the introduction of incentives schemes was the major determinant of the degree of success eventually achieved with these schemes. This important fact emerged from a study, 'Effects of Incentive Payments Systems 1977-80', conducted by Strathclyde University. The Researchers found that the amount of time that management had spent in discussions with people at all levels and in all functions of their organisation about the type of payment system to be introduced and the way it was to be operated definitely paid dividends in terms of improved productivity.

The way in which the DES was introduced into the dockyards strongly supports these findings. At employee level there was no consultation. The scheme was designed by the Chief Executive Royal Dockyards' personnel staff and negotiated with the Trade Unions represented on the Shipbuilding Trades Joint Council. Although employees were aware negotiations were being conducted the scheme was not welcomed by some Trade Unions at local level. In order to get the scheme accepted the 'Centre' threatened to withdraw the scheme unless all Trade Unions signed the agreement. Detailed negotiations on the various undertakings associated with the scheme were conducted between local management and Trade Unions. Because of the acrimony generated over the initial implementation coupled with union

suspicion about management's motives did little to contribute to the amicability of these negotiations. Consequently management were unable to get the degree of change which would have helped to reinforce the scheme and improve dockyard performance.

Because the shopfloor workers were remote from even these local negotiations they felt little or no involvement with a resultant commensurate lack of commitment. Hence the comments by the P & T group that the incentive scheme was little more than a thinly disguised pay rise would appear to have substance.

Turning, secondly, to the question of sustaining commitment, this is likely to be difficult to achieve if there is little initial commitment. However, given a reasonable level of initial commitment, the most effective way to maintain it, is to ensure that bonus payments are paid on a regular basis. It is important that these payments are kept distinct from basic salary as they would be quickly subsumed as part of basic pay.

The last point, 'd', the need to cultivate a climate of trust between the Non-Industrial and Industrial groups is fundamental to the dockyard's ability to achieve high productivity. An incentive scheme which embraces both Non-Industrial and Industrial grades would simultaneously satisfy a number of factors. Firstly, it would reduce the scepticism of Industrial grades concerning the commitment of Non-Industrial grades to the current DES. Secondly, it would help to promote a more equitable industrial relations climate.

However the inclusion of Non-Industrial grades would also create problems. For example, should executive grades working in dockyards be included? Good clerical or administrative work is just as important in a jobbing industry as good planning. To exclude executive grades therefore, might have a serious debilitating effect on dockyard performance.

Discussions with Senior Management at Rosyth concerning the desirability of extending the DES to include Non-Industrials revealed that the issue of who to include in the scheme raised very difficult problems. As the DES is a two tier bonus scheme this presents additional problems in deciding who should be eligible for which bonuses.

Group or an Individual Bonus Scheme

There is the need to resolve whether it would be more appropriate to administer an individually or group based incentive scheme to Non-Industrials working in dockyards. Using technology and size of workforce as our starting point, the most promising avenue to improved dockyard performance would seem to be through improving group consciousness and establishing and developing a sense of identity between the P & T group and Industrial grades. Having identified the features which, we believe, hold the key to improved dockyard performance guides as firmly to the choice of a group based incentive scheme. Although we have advocated a group based scheme this does not preclude it from embodying an individually based element.

We shall move on to consider a group based incentive scheme and a group scheme incorporating an individually based element. The group scheme we shall consider is extending the DES to include Non-Industrials up to PTO I grade. This choice is influenced by the fact that the DES was introduced for Industrial grades in April 1981.

Inclusion of Non-Industrial Grades in the DES

A benefit which would accrue from extending the DES to include Non-Industrial grades up to PTO I level would be the virtual disappearance of the differential problem between PTO IV and Industrial grades. Tables 3.6 and 3.7 in Chapter 3 illustrate the size of the problem. If, for example, an Industrial craft grade were to earn a 35% efficiency bonus

(20% efficiency + 15% productive bonuses) his gross pay would exceed that of his supervisor. This cross over of gross earnings is an emotive and contentious issue which does little to promote a harmonious industrial climate. The proposal to include dockyard Non-Industrials in the DES is based on an analysis of the survey results. This indicated, supported by comments appended to questionnaires, that the P & T group were attracted to the DES. Clearly this preference was influenced by the perception that Industrials have achieved a thinly disguised pay rise.

The inclusion of Non-Industrial grades in the DES would probably incline Industrial grades to be more favourably disposed towards the scheme. Indeed it is subjectively assessed that it would strengthen their commitment to the DES. Owing to the non-participation of Non-Industrial line managers in the scheme there is a tendency for Industrial grades to accuse management of failing to get their planning right if targets are not met. Because supervisors are perceived by their subordinates as not directly benefiting from the scheme, it is difficult for management to refute these criticisms to a degree which convinces the Industrial grades.

It is speculated that the principal benefit to be gained from including Non-Industrial grades in the DES would be the propagation of a commonality of purpose within the dockyard. It would also create a sense of identity between the two groups. Although the expectations of the two groups might still differ, the fact that both groups would have a common goal might create opportunities for greater worker supervisor co-operation. From this co-operation further opportunities might present themselves to enable senior management to make wider changes which would yield other benefits to the organisation as a whole, for example, aligning Non-Industrial and Industrial meal breaks.

So far we have extolled the benefits of including certain Non-Industrial grades in the DES, but there would also be problems. There is

the obvious difficulty of treating a minority group of Non-Industrials differently from the main group of civil servants. However, problems might also arise associated with the operation of the DES. For example, we have already mentioned the practice of job stretching for the purpose of obtaining over-time work. This practice might be more difficult to control if the DES was applied to Non-Industrial grades.

Although we have commended the virtues of strengthening the sense of identity and commonality of purpose between the two groups, problems could be created for senior management if this was taken to extremes. An explanation for this assessment centres on the fact that a significant number of P & T grades are promoted from the shop-floor workers, and hence brought with them their value system from the shop-floor. Indeed recent Non-Industrial action by civil servants has to some extent polarised attitudes between senior management and other 'white' collar groups. The concern would be that by continually reinforcing this sense of identity betwee lower management and Industrials is that it might eventually be counter-productive.

Combine Bonus Scheme

Up to now we have concentrated on a group incentive scheme for Non-Industrials, but Table 8.4 shows that an individual-based incentive scheme has a strong performance-reward link. We will examine whether it is practical to develop an incentive scheme for Non-Industrials which contains an element based on individual performance. Before examining the practicabilities of designing a two tier bonus system it would be useful to explain why Non-Industrials are likely to respond more readily to an incentive scheme which has been partly individualised.

The explanation revolves around situational factors and attitudes. Non-Industrial grades by virtue of their position in the organisation have accepted, albeit in some instances subconsciously, a degree of

competitiveness in their work situation. To attain the first step on the managerial ladder, for example, they had to compete with fellow Industrial grades and in order to progress up the managerial ladder they have to indulge in competition with their peers. In career development there may also be an element of competition with respect to being placed on prestigious courses. The Industrial grade on the other hand does not operate in this competitive environment. His strength is derived from the degree of unity that he and his fellow workers can generate in order to confront management from a position of strength. Thus it is argued that a group incentive scheme is wholly consistent with the expectation of Industrials, but not necessarily Non-Industrials who need a degree of competition to stimulate motivation.

We have already examined the group based element of a proposed two tier bonus system: we shall now explore the practicality of incorporating in the individual element so that advantage may be taken of the positive elements of both the individual and group based incentive systems.

The first point to establish is whether there is machinery to measure the performance of individuals. As mentioned in Chapter 4 there is an elaborate staff reporting system which could easily be adapted to provide a method for the allocation of incentive payments. Although qualitative methods of assessing performance are open to criticism (and indeed in Chapter 4 we identified that staff reports lacked discrimination) there is nevertheless a persuasive case for the inclusion of some form of individual based element in any incentive scheme for Non-Industrials. The lack of discriminatory reporting by superiors could be nullified to some extent by the simple expedient of assigning a certain pre-determined number of staff to each assessment category. Table 8.5 shows the maximum percentage of population which would be assigned to each performance assessment category.

Figure 8.6. Diagrammatical Arrangement Showing Postulated Interaction Between Individually and Group Based Incentive Schemes

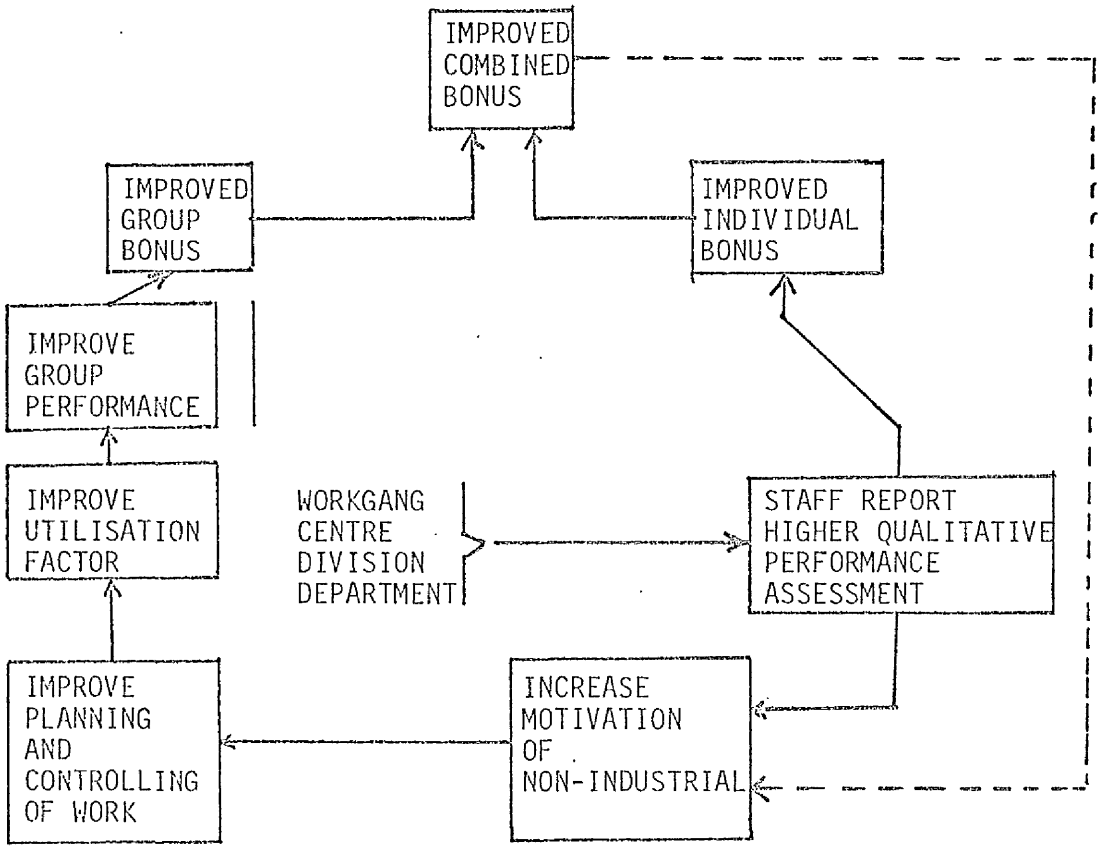


Table 8.5 Percentage Distribution of Population in Each Grade Versus Assessment Category

| Assessment Category | % of Population in Each Grade |
|---|---|
| Very Good | 15 |
| Good | 20 |
| Average | 30 |
| Fair | 20 |
| Adequate | 15 |

These assessment categories would correspond to some level of bonus payment. See Table 8.8.

The benefit of allocating a predetermined percentage of staff to each assessment category would greatly reduce the likelihood of the phenomenon of drift mentioned by Lupton et al (1983). However, there is a danger that the operation of a two tier bonus system may create opportunities for employees to try and offset a small bonus in one tier by demanding a compensatory increase in the potential bonus available in the other tier.

It is speculated that the operation of a combine bonus scheme along the lines which we have indicated could provide a certain degree of mutual reinforcement as indicated by the model (figure 8.6). This model postulates a degree of interaction between the group and individually based incentive schemes. Successful exploitation of this interaction is dependent on improving the quality of staff reporting. The group element of the incentive scheme provides an opportunity to do this, by linking an individual's staff report assessment to the performance of the individual's

work-gangs or centre. This scheme would be dependent on the ability to measure the performance of these groups. A technique is currently available to measure the performance of dockyard work groups, involving the construction of Utilisation Factors. An explanation of their derivation is contained at Appendix 3.

Setting the Level of Bonus Payment

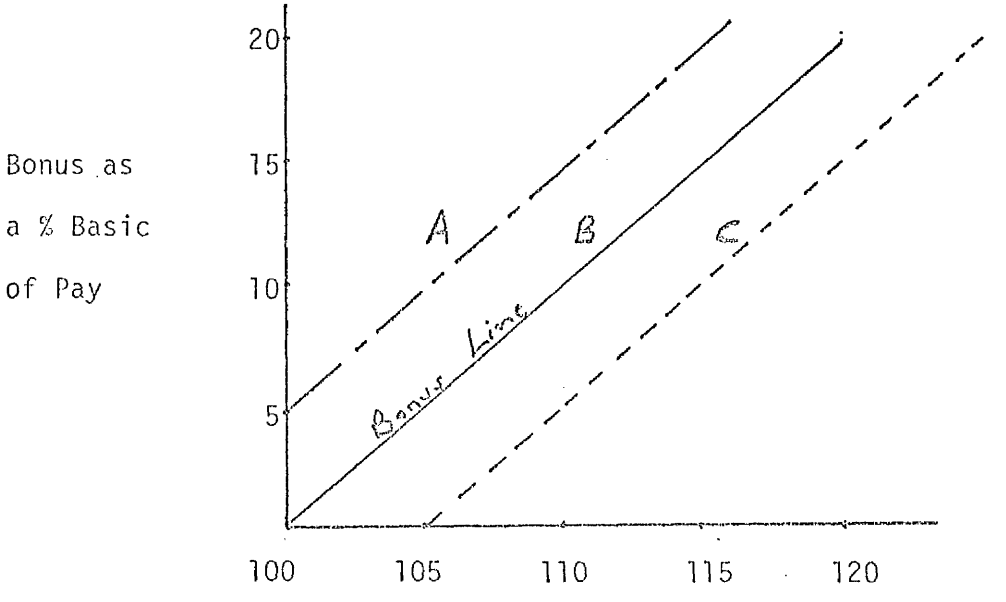
We have examined a combined bonus scheme and suggested that the group element should be based on the current DES with the individual element using a qualitative method of performance measurement based on the current staff report. The next problem to examine, concerns the size of the total bonus and how it should be apportioned between the two elements. It is generally acknowledged that for a bonus scheme to be attractive, bonus payments must not be less than 20% of basic pay. For example, the DES maximum potential bonus for productive workers is 35%. Commonsense, therefore, suggests that the Non-Industrials would have to be offered a comparable potential bonus, in the interest of harmonious relations between Non-Industrials and Industrial grades we would recommend that 35% should be set for Non-Industrials.

The way that this 35% is ultimately divided between the two elements of the scheme will to some extent be a reflection of senior management's desire to promote a sense of identity between 'blue' and 'white' collar workers or individual initiative and innovative behaviour. Another factor which might influence the way the bonus is divided between the two elements concerns pay differentials between Non-Industrials and Industrials. For our purposes let us assign 20% to the group element and 15% to the individual element.

The actual arithmetical relationship between performance criteria and incentive payment must be clearly understood by all participants. For

the group based element of the incentive scheme a linear relationship of the form shown in Figure 8.7 would be appropriate. The slope of the bonus line and its intersection with the 'X' axis will determine the effort-reward relationship. The intersection of the bonus line with the 'X' axis would be a management decision. To illustrate this point, Line A would represent a generous bonus scheme while Line C would represent a tight one.

Figure 8.7 Graph of Bonus Performance Versus Bonus as % of Basic Pay




Based on 1981/82 pay scales and PTO II, III & IV

Population-Cost per annum £1.68 million maximum

Turning to the individual element of the scheme, we have already suggested that bonus payments should be linked to staff report performance assessment. The actual bonus awarded would depend on how the individual's performance had been assessed. Table 8.8 shows a proposed distribution of bonus payment versus performance assessment category.

Table 8.8. Assessment Category Versus Proposed Bonus Payment for Individually Based Incentive Element - Showing Equivalent Cash Bonus Value

| Assessment Category | Proposed Bonus Payment As % of Basic Pay - Equivalent Value of Bonus £ | | | |
|---|---|---|---|---|
| | % of Basic Pay. | PTO II £ | PTO III £ | PTO IV £ |
| Very good | 15 | 1304 | 1041 | 1015 |
| Good | 12 | 1043 | 890 | 802 |
| Average | 9 | 783 | 667 | 609 |
| Fair | 6 | 521 | 444 | 406 |
| Adequate | 3 | 260 | 232 | 203 |

Based on 1981/82 pay scales and PTO II + III + IV Population - Cost per annum = £658,900 (Fixed cost)

Total cost of combine bonus scheme (Maximum)

| | | |
|---|---|---|
| Individually based element | = | 658,900 |
| Group " " | = | 1,686,000 |
| | | £2,344,900 |

This compares with Overtime and Trials payments for 1981/82 (estimated)

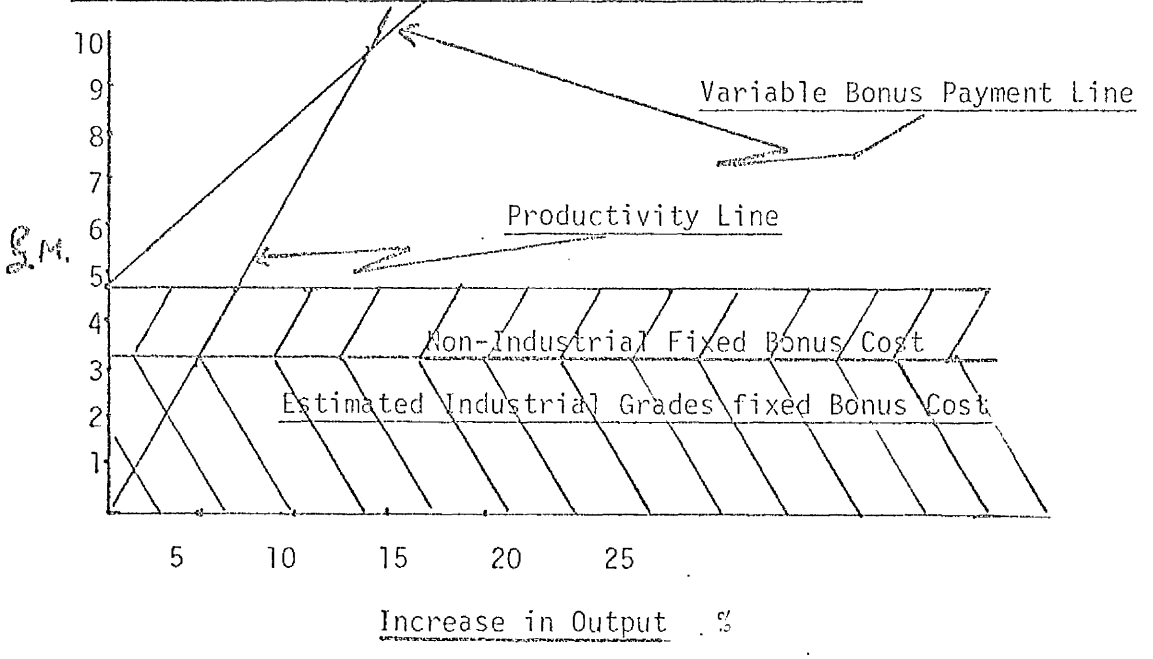
| | | |
|---|---|---|
| Overtime | = | 1,200,000 |
| Trials Pay | = | 306,000 |
| | | £1,506,000 |

This would obviously represent an increase in the Non-Industrial wage bill. The 'individually' based element would be a fixed cost proportional to the number of Non-Industrial grades encompassed by the scheme. The 'group' element would be variable cost linked to the dockyard's output.

Relating the cost of the proposed combined bonus scheme to dockyard output indicates that for a 5% increase in productivity a £3M reduction (1980 costs) in the cost of shipwork might be achieved at Rosyth. (See Addendum Page 169 for derivation of £3M figure). It should be noted that we have ignored the cost of the DES bonus up till now.

The cost of achieving this reduction would be in the region of £3.5 - £4.5 M (1980/81 wage rates). This assessment is based on the assumption that Industrial grades have achieved their output targets under the DES to justify payment of the full flat rate bonus of 20%. Equating to an increase in dockyard output of approximately 5%. The break even point for our proposed incentive scheme encompassing both Non-Industrial and Industrial grades would be achieved if dockyard output could be increased by 14%, figure 8.9.

Figure 8.9 Graph of Increased Output versus Cost




The proposed distribution of bonus payments for Non-Industrial grades has been structured to ensure that the scheme creates impact whilst simultaneously incorporating an element of discrimination to stimulate motivation. The impact of a bonus scheme can also be

affected by the way bonuses are distributed. This raises the question of how should bonuses be paid. In order to maintain a degree of earning stability bonuses should be paid monthly alongside normal salary, but computed on a six month moving average. However, to help to retain the distinction between bonus and normal earnings some of the bonus should be held over and paid as a lump sum at half yearly intervals. A refinement of this method of bonus distribution would be to pay the bonus accruing from the group element annually which for the individual assessed as 'adequate' would be a minimum of £203 see Table 8.8.

Although we have given the impression that bonus payments would be in the form of cash this need not necessarily be the case, payments could be in the form of extra leave, enhanced pension, contribution towards a medical care insurance plan or other assurance schemes, the list is extensive. A problem with benefits, not in the form of direct wages, is that peoples' needs vary. We shall now go on to examine ways of catering with this problem.

Pay Distribution

An integral part of any pay system concerns the way pay is distributed to individuals by the organisation. Should pay be distributed totally in the form of money or should there be a mix of money and non-money payments. What, for example, should the relative percentage of fringe benefits to money be and should it be constant. It has long been recognised that there is a loose correlation between age and monetary needs. A man with a young family and a relatively high mortgage is likely to require a larger percentage of his salary in the form of money compared with an older man whose family has left school and has been a home owner for a number of years. The older man on the other hand may want to enhance his retirement pension.

The aforegoing serves to illustrate that individual pay needs are

not identical and hence provides organisations with opportunities to package their employee's pay to maximise its attractiveness. One way that this may be achieved is by the individualisation of pay packets evidence that this type of payment system would be acceptable or, more precisely, is desired, is shown by the response to question 11 in the questionnaire. The question was "assuming a fixed sum is available for pay, which of the systems set out below would you prefer?". Three elements, Basic pay, Additional pension enhancement and Annual bonus payments were presented to respondents, in a series of permutations, in fact a total of 7 choices were available. No single combination was preferred to the others, indicating that respondents have differing pay requirements. Further evidence to support the view that employees would prefer to have their pay packets individualised comes from a field study conducted by Thierry (1980) in co-operation with a large Dutch-owned company. The study involved some 400 managers and revealed that the majority preferred some form of individualisation of their pay packet. A very interesting point to emerge from Thierry's study was that employees underestimate the cost of fringe benefits to the organisation.

A pay system which permits employees to participate in the compilation of their pay packet is the Cafeteria Plan. The core of the Cafeteria Plan is that each employee in the organisation may make choices each year or at some other predetermined time interval, among alternative options as to how he would like to get a predetermined part of his income. A whole range of benefits are possible, at least in theory. They refer, for instance, to a shorter working week, more leave, educational leave, cash pay, private health schemes, and so forth. The options may be presented to employees in a variety of ways, such as, a series of alternative packages out of which he may select one, a list of alternatives on the basis of which

he designs his own package, or a combination of these two methods. Where employees select their own package they would be allocated a number of units based on their grade and perhaps seniority then it is simply a case of each person compiling their own package until the specified spend is reached. Although this sounds simple it is recognised that it would require considerable administrative effort to set the system up.

Thierry (1977) suggests that one of the most favourable features of the Cafeteria Plan is that it has the potential for offering employees a considerable amount of participation in the composition of their pay packet. The Cafeteria approach enables a critical appraisal to be made of the usefulness as well as the effectiveness of a payment package that is tuned to the average employee under average conditions with average needs and preferences. Firstly, individual differences among employees affects the meaning and value of money and other benefits. Secondly, domestic and personal conditions are a function of time, for example, family size, age of dependants, mortgage payments, etc and consequently the employee's expectations and requirements as to the spending of his salary.

In an appraisal of employee benefits for 'white' collar groups, Cockman (1982) enunciates an important caveat concerning the role of benefits in a pay system. Cockman asserts that the prime point when establishing a complete set of benefits is to realise that it will be effective only so long as the salary structure is satisfactory. The best benefits package may turn a suspect pay system into one which is just about acceptable, but it will not turn a bad salary structure into one which is acceptable. Conversely, a bad benefits package can turn a good salary structure into an unacceptable one.

Summary

In our exposition of alternatives to the current dockyard pay system we consciously focused on performance-related pay, because the other main

choices of emphasis, enumerated by White (1981), have to varying degrees been examined by Megaw (1982). The Government's preference for some form of incentive element to be incorporated in Civil Servants' pay make it likely that some movement on this front may well take place shortly. The dockyards might be a good choice to operate a pilot scheme. Firstly, they are are easily identifiable unit. Secondly, they are remote from the mainstream Civil Service.

An incentive scheme along the lines we have suggested would undoubtedly increase the Non-Industrial salary bill. But we have endeavoured to show that some of the increase in cost would be offset by the abolition of Trials pay and a reduction in overtime working. In addition the demise or decline of these payments would mean that high gross earnings would be more closely related to performance rather than place of employment in the dockyard i.e. posts which attract Trials pay or provide opportunities to work overtime. However, it is envisaged that the principla savings would accrue from an increase in dockyard output stimulated by the Non-Industrial incentive scheme. Indeed this would represent the acid test of the scheme's effectiveness providing of course there is a reliable method for measuring changes in dockyard output.

In our conclusions to the study we shall concentrate on the performance related pay issue and attempt to draw conclusions concerning the way incentives are likely to interact with other dockyard characteristics. The relationship between a pay system and organisational characteristics is in many ways analogous to the relationship we discussed earlier between a pay system and its accompanying benefits package.

## ADDENDUM

### Derivation of £3M Reduction on Shipwork Costs at Rosyth

Breakdown of Shipwork Cost as Percentage

| | |
|---|---|
| Labour | 19% |
| Services | 9% |
| Production Overhead | 20% |
| Administration & General Overhead | 30% |
| Material | 22% |

Total cost of shipwork at Rosyth £84M (1979-80) (Source Dockyard Annual Report 1980).

A 5% increase in productivity may be represented as a 5% saving on Labour Services, Production Overhead and 22% of Administration and General Overhead.

This computation gives:

$(19 + 9 + 20 + 22) \times 84 \times 0.05 = £2.94M \simeq £3M$

# CHAPTER 9

## CONCLUSIONS

The assumption which underpins this study is that stimulation of Non Industrial motivation will result in an overall enhanced performance by Naval Dockyard and this will be reflected in an enhanced level of ship repair support to the Fleet. We have endeavoured to show that motivation is a function of a multiplicity of diverse, but interrelated factors. Prominent amongst these are the variables pay, promotion and organisational structure which form the trellis to which the study is laced.

Attempts to remedy current weaknesses by simply introducing, for example, a new pay or promotion system without reference to other organisational considerations such as, the way the work is organised, is likely to result in a remedy being applied to an effect instead of a cause. For clarity we shall consider each of the variables separately to assess their impact and the effect that each has on the attitudes and behaviour of Non-Industrials in dockyards. Finally the conclusions have been set out on the assumption that remedial action to improve dockyard performance should be accorded a high priority. Hence proposed solutions are not constrained to accord or be consistent with current policy or necessarily correspond with the current lay-out of the machinery of the Civil Service.

### Pay

The results of the survey show very clearly that the P & T group at Rosyth is dissatisfied with their level of pay. Further evidence of this dissatisfaction with pay was demonstrated by the vigorous support given by the P & T group at Rosyth for the action taken by the CSSU in pursuit of the civil servants 1981/82 pay claim. However, the evidence suggests that overall Priestley was operated by the Government and Unions in a way which

succeeded in keeping Civil Service pay broadly in line with outside pay. Indeed taking into account the amount of overtime worked at Rosyth by Non-Industrials, it is considered that average gross earnings compared very favourably with comparable groups in both the private and nationalised sector. Nevertheless the response to the pay questions in the survey demonstrates that there is a grievance about pay. Such a polarity of views presents a stark enigma. How can this pay issue be reconciled with the published evidence? The IPCS' position is that high average gross pay is irrelevant because these earnings are not distributed uniformily amongst its members. This is a very valid point and provides a powerful justification for the organisation attempting to redistribute gross earnings more evenly amongst employees. Hence the disposition towards some form of performance-related pay as a method of achieving this goal.

We have still not provided a satisfactory explanation for this pay grievance. Despite IPCS protestations, the evidence clearly shows that gross earnings at Rosyth are high and this fact is certainly not reflected in the response to the questionnaire. If the P & T group at Rosyth do not accept the evidence then we must conclude that this pay grievance is a manifestation of a pay perception problem. The existence of such things as horizontal relativities between some equivalent grades provides reinforcement of this perception.

An overriding priority for the organisation, in the area of pay, is the need to alter the individual's perception concerning his pay. This may not be an easy task given the current constraints of the centralised Civil Service pay system. However, the removal of the horizontal differential between the PTO II and HEO which ensued from the now defunct Pay Research meachinery which was used for setting pay rates in the Civil Service until 1980 would represent a significant step in correcting this perception problem. But this prompts the question, what sort of

perception would we expect P & T grades to have about pay under normal circumstances? Unfortunately this is not a deterministic problem. However, Handy (1976) in discussing the issue suggests that the perception of most managers was that they are not rewarded for particular results, but rather for seniority and experience. This proposition has validity in a system where seniority is the reward for success and pay follows seniority.

Arising from our analysis of the pay issue in Chapter 3 is the perspective that civil servants working in dockyards need to be treated differently from other civil servants for pay purposes. How may this be effected? We note from the survey (analysis of question at Appendix 2) that a significant number (60%) of P&T grades believe that Naval Dockyards should be separated from the Civil Service, so that provides one approach. Discussion of this result with some members of senior management tended to suggest that they as a group were much less enthusiastic about separating the dockyards from the Civil Service than were the Rosyth P & T group.

However, a less drastic solution would be to delegate responsibility for pay to Dockyard Management. Although Megaw (1982) was attracted to the concept of decentralisation, the report doubted whether the necessary financial and budgetary control existed to enable such a system to operate effectively anywhere in the Civil Service. It is speculated that the introduction of a dockyard Trading Fund, as envisaged by the Dockyard Study Report (1980), would have probably satisfied the requirement of the Megaw committee on this issue of financial accountability thus inclining them to have been favourably disposed towards a decentralised pay system for dockyards.

More significantly, however, Megaw's (1982) preference for performance related pay parallels our idea that the link between performance and pay in the dockyard needs to be strengthened. Indeed the adoption of Megaw's

recommendation for performance related pay for the Civil Service would represent a fundamental change in pay policy. In theoretical terms it would mean a shift from a pure time based system of payment to a system of payment incorporating a significant measure of payment by results.

Drawing together the various threads relating to pay systems and taking into account the fact that the P&T group seemed to be inclined towards the Dockyard Efficiency Study indicates that some form of performance related pay system would benefit the dockyards. The proposition is that affording Non-Industrial the opportunity to share in the distribution of rewards to which they have contributed will improve their motivation. Developing this then brings us to the key dimension of the study, namely how can a performance related pay system be introduced to accommodate the needs of the dockyards. To maximise the benefits accruing from the introduction of a performance-related pay system it would necessarily have to be accompanied by a systematic plan to change other factors affecting organisational performance. An important factor in this respect is the need to reflect a sense of identity between the junior P & T grades and shopfloor workers, although we expressed caution about taking this to extremes.

Before reviewing specific models for a performance related pay system it is important that those who would be responsible for designing an incentive scheme for dockyard Non-Industrial grades consider its objectives carefully along with the characteristics of the dockyards. They must beware of the fallacy that an attractive or cleverly designed incentive scheme is the panacea for symptoms of a disease that may be organisational. Of equal importance to incentive scheme design, is the way that the scheme is implemented and operated. According to recent research by BOWEY (1982)

an organisation's performance is likely to be significantly affected by the amount of management effort involved in establishing and implementing the payment scheme. An important ingredient for the continued effective operation of any incentive scheme is the participants' cognitive understanding of the relationship between their performance and gross pay. The lack of this understanding is one reason why incentive schemes fail to meet management's expectations although it must be accepted that in any large organisation the problem of continually reinforcing the perceived link between performance and gross earnings presents management with an unremitting task.

Inclusion of Non-Industrials in the DES

This scheme has attractions, not least of them, the fact that the survey indicated that the P & T group would be favourably inclined towards being included in the DES. This preference was probably influenced by the view that the industrial grade was perceived to have negotiated a good deal. The linking of Non-Industrial grades to the DES would help to create a climate conducive for fostering group consciousness and thus establishing a sense of identity between P & T grades and the 'shop floor' workers. This would be reinforced by the knowledge that all those who contributed to a bonus would share in its distribution. It is suggested that this type of incentive scheme would create opportunities for Non-Industrial and Industrial grades to co-operate in dismantling some of the very restrictive and irksome trade practices and demarcations. This is an area where the dockyard could derive meaningful benefits, by incorporating Non-Industrial grades in the DES. Through a combination of many interrelated factors dockyard management in the past have been inhibited from carrying through the motivational assumptions underpinning the incentive scheme to all facets of the dockyards. On the one hand opportunities have been missed because of trade union resistance to new technology and techniques and on

the other the impact of the incentive scheme has not been maintained because wider changes that would have reinforced the scheme were not made, again partly due to Trade Union intransigence.

However, it may also be surmised that the inclusion of Non-Industrial grades in the DES would present some long term problems. Firstly there is the question of who would be included, ie, only P & T grades or all specialist groups working in the General Manager's department. Secondly, and more importantly is the effect on Non Industrial attitudes by treating them the same as Industrial grades. A degree of dissonance could well be generated particularly among supervisory grades emanating from certain affiliations that they have with shopfloor workers, which might be reinforced by their inclusion in the DES, whilst simultaenously attempting to behave and act as members of the management group.

Individual Based Incentive Scheme

In this type of incentive scheme there is a strong link between performance and rewards with a commensurate effect on motivation. A characteristic of this type of incentive scheme is that the degree of competitiveness within the organisation is heightened. Unfortunately this competitiveness is usually accompanied by a decline in group co-operation.

We have already suggested that group co-operation is a necessary pre-requisite for effectiveness in a jobbing undertaking. Although an individual based incentive scheme would satisfy current thinking on performance related pay it would not be consistent with ship repair work. It is important that the payment system is consistent with the technology.

Combined Individual and Group Based Incentive Scheme

The assumption underpinning this approach is that the positive features of the Individual and Group Schemes are integrated to maximise motivation. This type of incentive scheme has a number of attractions and as such would provide the basis for a dockyard based incentive scheme.

Firstly it would satisfy some of the innate desires of Non-Industrials

to benefit more directly from their efforts whilst simultaneously assisting in the promotion of group consciousness and helping to establish a sense of identity between Non Industrials and Industrials. Secondly, it woul modify some of the more extreme features of the Individual and Group based schemes. For example, in a Group based scheme, encompassing both groups, there would be potential for the two groups to coalesce and confront senior management on issues of mutual interest. While from a management point of view, this does have disadvantages, a combined scheme is nevertheless an attractive proposition.

The introduction of a combined scheme could probably be achieved with a minimum of cost somewhere in the region of an additional £1-2 million at Rosyth. As has already been suggested, the group element could be carried out by linking the Non Industrials to the DES and basing the individual element on the current staff report.

Of the three models reviewed, the combined bonus scheme probably offers the best solution as a method of stimulating Non-Industrial motivation. However, the precise design and shape of such a scheme would be greatly influenced by prevailing circumstances.

Pay Determination

Irrespective of whether or not an incentive scheme is introduced into the dockyards there is a need to set basic pay levels. How this should be done in the Civil Service has been given considerable attention by the Government and has been the subject of continuing debate. The problem is very real; if for example, the pay of dockyard staff does not come within some range of salaries paid to staff with similar skills in other organisations then the dockyard may not, over the medium term, be able to recruit and retain the staff it needs.

Megaw (1982) advocated that comparison with outside industries should play a less dominant role than it did under the system abolished in 1980 for establishing levels of pay in the Civil Service. Despite the IPCS

National Executive Council's reservations about the fairness of pay comparability, the survey revealed that the P & T group at Rosyth were favourably disposed to comparability as a method for determining their pay.

Realistically there is little alternative to a system based on some measure of comparability for determining pay levels of dockyard staff. Although it is technically feasible to structure a system for establishing pay levels which is mainly sensitive to the organisation's ability to recruit and retain labour, it would probably be a recipe for disenchantment in practice. The response, by the Rosyth P & T group to the question of pay comparability does suggest that the technique enjoys confidence. This is despite the fact that the way the system operated between 1976 and 1980 resulted in horizontal differentials emerging between certain equivalent P & T and executive grades. The existence of these horizontal differentials provides strong justification for advocating that civil servants working in dockyards should be treated differently for pay purposes.

Promotion

Turning to the promotion dimension it was obvious that this issue did not generate the same level of emotion as pay. Non-Industrials were prepared to discuss the subject in a detached manner. The most significant point to emerge from the study, relating to the promotion issue, was the strong desire by Rosyth P & T grades for local management to have a significant say in determining who should be promoted. Devolving responsibility for the selection of staff for promotion to individual dockyards would strengthen the perceived, reward-performance link for Non-Industrials who value the promotion reward. Indeed extrinsic outcomes can serve as a reward for superior performance only if the organisation successfully measures and recognises the performance. It is our belief that the remoteness which Non-Industrials associate with the present system militates against Non-Industrials clearly perceiving the performance

reward link. Support for this view is illustrated by the importance Non-Industrials attach to the automatic right they enjoy to appear before a selection board. Thus there are persuasive arguments for the promotion of Non-Industrials, certainly up to PTO II level, to be controlled by each dockyard. Indeed it is understood that Rosyth Dockyard has taken action so that it can influence which of its Non-Industrials gets selected for promotion. Senior dockyard managers conduct a preliminary screening of promotion candidates and only the most promising are recommended to appear before the Headquarter's selection boards.

The importance of promotion as a reward, is related to promotion prospects within the organisation. The survey showed that approximately 45% of Non-Industrials had expectations concerning promotion, but it should be remembered that the survey was conducted prior to the announcement of the decision to close Chatham and Portsmouth dockyards. It is surmised that in 1983 promotion prospects would be assessed as less favourable.

The result of our evaluation of the promotion system and the response to questions relating to promotion indicates that the promotion dimension could merit only minor consideration in any system of rewards for dockyards. It is, therefore, unlikely that the promotion reward could be deployed to offset or compensate for low pay except in the case where promotion was available to almost everyone and promotion was accompanied by a substantial pay rise, clearly not a practical option.

Organisational Structure

The structure of the dockyard is related to the context within which it functions. We have already mentioned that size, technology and inter-dependence with the mainstream Civil Service have been of primary importance in influencing the structure and functioning of the dockyards.

Currently (February 1983) there is little indication of the type of dockyard organisational structure which is likely to emerge after the planned contraction of the dockyard service has been completed. The

recommendation in the Dockyard Study Report (1980), that greater financial accountability should be delegated to individual dockyards has not occurred, although it is believed that there may be some movement in that direction. Some idea of Government thinking on the way they would wish Naval Dockyards to be managed may be inferred from their preference for privatisation of some public sector industries.

Although the introduction of the Trading Fund idea wouldddevolve a large measure of financial accountability to each dockyard and provide a yard-stick to compare performance it would be unlikely to solve many of the dockyards' underlying problems unless accompanied by structural change to its organisation. For example, the current enforced dependence of each dockyard on the CED's department deprives local management of the flexibility to manage trade union power effectively. This dependence reinforced by the highly bureaucratic style of management, practised in the Civil Service, causes a concentration of power in the CED's department. The strategic importance of the refit work undertaken at Rosyth moreover, invites vigorous monitoring of local management decisions in the field of industrial relationships by the CED department. This behaviour by head-quarters staff is occasionally justified on the pretext of ensuring commonality of standards across the four home dockyards. Nevertheless local management tend to perceive this behaviour as unwarranted interference. This coupled with the highly bureaucratic style of management practiced in the Civil Service puts a heavy brake on any innovation likely to improve the poor performance of Naval Dockyards.

To correct the deficiencies we have identified two things that need to be done. Firstly, each dockyard must be given greater autonomy to manage its own affairs. Secondly there needs to be a shift to a less structured and mechanistic style of management. One way that this might be achieved is by separating the dockyards from the Civil Service. Indeed the survey showed clearly that there was support for such a move amongst the P & T group at Rosyth.

A starting point for this process would be the introduction of a Trading Fund which would provide a vehicle to prepare the ground for eventual disengagement from the Civil Service.

Potential for Change

One interpretation of responses to questions relating to management structure and job satisfaction suggest that Non Industrials may be more favourably disposed to change than it generally believed to be the case by senior management.

Amplifying comments appended to completed questionnaires demonstrated that there was concern about the future of Naval dockyards. This latent potential for change should be exploited to enable the two remaining dockyards to face the challenge of the future. There is an overriding requirement for dockyards to shed decades of bad habits and to tackle lax working arrangements which have been encouraged by management acquiescing to unreasonable demands by shop stewards. The reaction of management to unremitting Trade Union pressure has to some extent been influenced by the enforced dependence of dockyards on the CED department. There is a need to create a climate where local management are accountable for the dockyard's performance. An essential pre-requisite for achieving this goal is the creation of a motivated and properly rewarded lower management.

## APPENDIX 1

### QUESTIONNAIRE ON SYSTEMS OF REWARD

1. I am carrying out a study into Systems of Reward as part of a private course that I am undertaking at Glasgow University. Would you be prepared to assist me in this study by completing the enclosed questionnaire?

While it looks rather detailed, I have tried to design it to be answered as simply and as quickly as is possible, and it should need about 20 minutes.

2. I have received the General Manager's approval and the concurrence of the Staff Association Chairman to administer the questionnaire to Dockyard staff.

3. This questionnaire is strictly confidential: its results will only be used in such a way as to ensure the anonymity of yourself.

4. I will be pleased to discuss any aspects of the questionnaire or the study with you.

5. Instructions

a. DO NOT PUT YOUR NAME ON THE QUESTIONNAIRE.

b. Please tick the appropriate line (it is suggested that you read through the whole questionnaire before placing any ticks).

c. Please return the questionnaire within a week to:

A C SCOUGALL
Room 324
Dockside Test Building

NOTE: Questions on DES have been worded assuming acceptance of the scheme.

1. How do you think that the Dockyard Efficiency Scheme will affect the efficiency/productive output of the Dockyard?

Greatly increase
Some increase
No change
Some decrease
Greatly decrease

2. What sort of deal to the Industrials do you think that the Dockyard Efficiency Scheme represents?

Very good
Good
Don't know
Poor
Very poor

3. How do you think the Dockyard Efficiency Scheme will affect Industrial relations?

Greatly decrease number of disputes
Decrease number of disputes
No change
Increase number of disputes
Greatly increase number of disputes

4. Do you consider that under the Dockyard Efficiency Scheme, to earn a productivity bonus, Industrials have to work:

Very hard
Fairly hard
About the same
Less than now
Very much less than now

5. How well do you think the management will be able to measure performance?

Very well
Fairly well
Adequately
Badly
Very badly

6. How much importance do you think was attached to the question of differentials, between Non-Industrials and Industrials in the formulation of the Dockyard Efficiency Scheme?

Great importance

Some importance

Very little importance

None

Don't know

7. How important do you regard the commitment of Non-Inudstrials in determining the success of the Dockyard Efficiency Scheme?

Critically important

Very important

Fairly important

Very little importance

Don't know

8. How would you describe the reaction of each of the following to the Dockyard Efficiency Scheme? Please tick each line.

| | | Favourable | Neutral | Unfavourable | Don't know |
|---|---|---|---|---|---|
| 1. Senior Management | Managers<br>Div. Managers | | | | |
| 2. Middle Management | PPTO<br>PTO I<br>PTO II | | | | |
| 3. Lower Management | PTO III<br>PTO IV | | | | |
| 4. Industrials | Craft | | | | |
| | Non Craft | | | | |
| 5. Yourself | | | | | |
| 6. Staff Association | | | | | |

9. What do you think were CED's main objectives in introducing the Dockyard Efficiency Scheme? Please tick a maximum of five.

To increase earnings for employees

To increase output

To improve quality of refits

To improve labour flexibility (loosening of trade demarcation)

To reduce stoppage or industrial action.

To reduce absenteeism

To reduce labour turnover (reduce flow of labour to and from the Dockyard)

To reduce overtime working

To reduce manpower

To reduce the length of refit's times

To improve recruitment

To motivate and provide more employee commitment

To reduce disparity of earnings among workers

10. How do you think that your pay compares with rates in outside industry for comparable work?

a. Basic Pay

Very favourably
Favourably
About the same
Unfavourably
Very unfavourably

b. Basic pay + overtime and other enhancements

Very favourably
Favourably
About the same
Unfavourably
Very unfavourably

11. Assuming a fixed sum is available for financial remuneration, which of the systems set out below would you prefer? Please tick one, or specific other combination.

| Basic Pay | Set aside for Pension Enhancement | Bonus Payment Annual |
|---|---|---|
| 100% | - | - |
| 90% | 10 | - |
| 90% | - | 10 |
| 90% | 5 | 5 |
| 80% | 20 | - |
| 80% | - | 20 |
| 80% | 10 | 10 |

12. Are you able to forecast the amount of overtime that you are likely to work?

Very accurately

Accurately

Fairly accurately

Very little accuracy

None

13. Do you consider that the amount of overtime you work is

Far too much

Too much

About right

Too little

Far too little

14. Do you think that the award of extra pay for special responsibilities is a (eg On Call Allowance, Trials Pay)

Very good thing

Good thing

Don't know

Bad thing

Very bad thing

15. What do you think of pay comparability as a method of pay determination for P & T grades in the Dockyard?

Very desirable

Desirable

Don't know

Undesirable

Very undesirable

16. How much importance do you attach to your pension?

Great importance

Some importance

Very little importance

None

Haven't thought about it

17. Do you think that the number of candidates called for promotion board interview in relation to the number of vacancies

Far too many

Too many

About right

Too few

Far too few

18. How would you assess the way each of the following mark Annual staff reports? Please tick each line as appropriate to your grade, ie 'Yourself' and subordinate' not applicable to PTO IV.

| | Generously | About right | Too strictly |
|---|---|---|---|
| Superiors | | | |
| Yourself | | | |
| Subordinates | | | |

19. How important do you consider it that all staff after 5 years in the grade have an automatic right to appear before a selection board?

Very important

Important

Don't know

Unimportant

Very unimportant

20. A report on the Civil Service in 1968 was critical of the fact that selection boards for promotion attached too much importance to the candidate's seniority. How would you assess the present situation?

Greatly improve

Improved

Don't know

Slightly worse

Much worse

21. How much importance do you thin promotion boards attach to experience when selecting candidates for promotion?

Great importance

Some importance

Very little importance

None

Don't know

22. How much control do you think that each dockyard should have over the selection of staff for promotion?

Complete

A significant amount

A little

None

Don't know

23. Do you think that there should be specific zones for promotion, eg an individual is only eligible for promotion between 3 to 13 years in a grade?

Strongly agree

Agree

Don't know

Disagree

Strongly disagree

24. How do you assess your promotion prospect for promotion in the future?

Good

Fair

Don't know

Poor

Very poor

25. Do you consider the abolition of the old type Inspector's and Foreman's examination to have been?

Very good decision

Good decision

Don't know

Bad decision

Very bad decision

26. Do you think that the re-introduction of the post of Chargeman, as an industrial grade, in the Dockyard would be a -

Very good decision

Good decision

Don't know

Bad decision

Very bad decision

27. Do you think that Dockyard management should be separated from the Civil Service?

Most definitely

A good idea

Don't know

A bad idea

Definitely not

28. In your view should private ship repairers be allowed to compete with the Royal Dockyards for warship refits? Tick as appropriate.

Yes - complete refit

Yes - selected work package items

Yes - Specialist work only

No

Don't know

29. How do you think the performance of the Dockyards would be affected if they had to compete on a commercial basis for warship refit?

Significant improvement

Marginal improvement

No change

Marginal deterioration

Significant deterioration

30. Have you heard of the Dockyard Study?

Yes

No

30. a. If yes, what do you think was the purpose of the study?

Please tick a maximum of three

(a) To establish why ships come out of refit late.

(b) To investigate ways to reducing the cost of warship refits.

(c) To reduce the Dockyard labour force.

(d) To determine if more effective use can be made of Dockyard resources.

(e) To examine other methods of managing the Dockyards.

(f) Don't know

31. Which of the following factors do you consider important for the long term viability of the Dockyards. Please tick a maximum of three.

Dockyard management should be given more freedom to manage in return for greater accountability.

Senior managers should spend longer in a particular post (PPTO and above).

Senior managers should have experience in industrial management outside the Civil Service.

Industrial and Non-Industrial earnings should be kept broadly competitive with loca industry.

Local agreed productivity schemes suited to the needs of each Dockyard should be introduced.

Royal Dockyards should compete with private ship repairers for warship refits.

A Trading Fund should be introduced.

32. Which of the following factors are most important to your job satisfaction?

Please tick a maximum of three

Regular increase in salary

Guaranteed job security

Opportunity for promotion

Fringe benefits eg discount buying
Social facilities

Generous holidays with pay

Shorter hours of work

Opportunities for overtime

Good Staff Association representation

Healthy and safe working environment

Extra payment for effort

Job status/prestige

Opportunity for responsibility

Opportunity to learn and develop skills

Participation in decision making

Recognition and praise for a job well done

Good working relationship

Fair allocation of work load

Equitable industrial relation climate

33. How would you describe the degree of authority you have as a manager?

A great deal

Quite a bit

Very little

Occasional

None

34. a. There are eight tiers of management in the Dockyard's management structure. Do you regard this as

Far too many

Too many

About right

Too few

Far too few

b. If 'too many' which grade/grades would you abolish - please state.

_____

_____

35. What do you think greater Trade Union participation in the day to day business of the Dockyard will mean to you as a manager?

More authority
Slightly more authority
No change
Less authority
Much less authority

36. a. Do you think that there has been a decline in management authority over the past 10 years in the Dockyards?

Very considerable
Considerable
A little
None
Don't know

b. If yes - what tier of management do you think has lost most authority?

Senior Management
Middle Management
Lower Management

37. How many immediate subordinates do you directly supervise?

Nil
0-2
3-4
5-6
7-8
9-10
Over 11

38. What age are you?

Under 21
21-29
30-39
40-49
50-59
Over 60

39. a. Are you married? Yes

No

39. b. If yes, how many children do you have _____

40. How long have you worked in the Sea System area (include apprentice time if applicable)?

(Note Sea System area includes Dockyards, DGC Faslane etc)

0-4 years
5-9
10-14
15-19
20-24
Over 25

41. a. How long have you been in your present post?

Under 1 year
1-2 years
3-4 years
Over 5 years

b. How long have you been in your present Grade?

Under 3 years
3-6 years
7-9 years
10-12 years
Over 12 years

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Have you any further comments:

---

# APPENDIX 2

## INTRODUCTION

In this appendix we analyse two questions from the survey not previously analysed. As reference has been made to the responses to 'separating dockyard management from the Civil Service' and 'factors important to job satisfaction', in the study it was deemed necessary to analyse them. Although somewhat peripheral to the main theme of the study, the responses to both questions raise a number of interesting points relevant to the way dockyards are structured and operated. These responses also provide an interesting insight to the attitude of P & T grades at Rosyth to the delicate question of organisational change.

## Separating Dockyards from the Civil Service

Do you think that Dockyard management should be separated from the Civil Service.

| | | | |
|---|---|---|---|
| Most definitely | 34 | 23 | 23 |
| A good idea | 38 | 29 | 34 |
| Don't know | 6 | 17 | 14 |
| A bad idea | 15 | 22 | 13 |
| Definitely not | 6 | 9 | 16 |

The survey shows that 72% of PTO IIs against 55% of PTO IIIs and IVs think that dockyards should be separated from the Civil Service. There are a number of possible explanations for this difference of perspective between the two groups. Firstly, there is a view amongst PTO IIs that the Civil Service is rather indifferent to their specialist managerial and technical skills. Secondly, PTO IIs may be more aware than their subordinates that ship repair work and bureaucratic organisations are not particularly compatible. Thirdly, PTO IIs are probably less complacent and consequently more critical of the current organisation than their subordinates because they are more likely to think in managerial

terms.

An important consideration which undoubtedly influenced some respondents' attitudes to the question of separating dockyards from the Civil Servants is the job security dimension. Privatisation of the dockyards is obviously perceived as creating uncertainty in the area of job security. This viewpoint has been inculcated by the current crop of redundancies in industry in general and the shipbuilding sector in particular.

The response to this question of separating the dockyards from the Civil Service indicates that there might be less opposition than is currently supposed for removing dockyards from the Civil Service. However, the attitude of the Non-Industrial Trade Union would be most important as their opinion forming potential is considerable and a carefully orchestrated campaign by them could significantly alter current views.

Job Satisfaction

Which of the following factors are most important to your job satisfaction?

Please tick a maximum of three

| | No | % |
|---|---|---|
| Extra payment for effort | 30 | 12 |
| Job Status/prestige | 20 | 8 |
| Opportunity for responsibility | 96 | 38 |
| Opportunity to learn and develop skills | 76 | 30 |
| Participation in decision making | 90 | 36 |
| Recognition and praise for a job well done | 37 | 15 |
| Good working relationship | 86 | 34 |
| Fair allocation of work load | 19 | 8 |
| Equitable industrial relation climate | 14 | 6 |
| Regular increase in salary | 70 | 28 |
| Guaranteed job security | 71 | 28 |
| Opportunity for promotion | 65 | 26 |
| Fringe benefits eg discount buying Social facilities | 1 | - |

| | No | % |
|---|---|---|
| Generous holidays with pay | 13 | 5 |
| Shorter hours of work | 6 | 2 |
| Opportunities for overtime | 10 | 4 |
| Good Staff Association representation | 4 | 2 |
| Healthy and safe working environment | 28 | 11 |

n = 254

The way respondents have ranked the array of factors considered important in producing job satisfaction provides a useful guide for the direction that any organisational change should take. For example, there is good correlation between the factor heading the list, 'Opportunity for responsibility', and the desire to see fewer tiers of management in the dockyard's hierarchical structure (Chapter 7 question No 7.xii).

The second most popular factor, 'participating in decision making', is unlikely to be satisfied by or reconciled with the bureaucratic style of management currently practised in dockyards. There is a need to develop a type of communication which consists of information and advice rather than instructions and decisions. To achieve any meaningful degree of participation would necessitate a fundamental change in the way dockyards are structured.

The third most popular factor, 'Good working relationship', suggests that P & T grades would welcome any move to strengthen the sense of identity between themselves and the 'shopfloor' workers.

Perhaps the most important point to emerge, is the position in the pecking order of, 'regular increase in salary'. This result may seem somewhat ambiguous in view of the controversy surrounding the pay issue in recent years. However, what this result does tend to suggest is that job satisfaction is unlikely to be produced by the simple expediency of increasing the frequence of salary increases, for example.

Overall the response to this multiple selection question suggests that enhancement of job satisfaction is unlikely to be achieved without radical changes to the dockyard's structure and style of management.

## APPENDIX 3

## MEASURING DOCKYARD OUTPUT

### Introduction

There are two points fundamental to any industrial incentive scheme. Firstly, the ability to measure performance, although it is not the absolute value of performance which is so important as the change in performance from some reference point. Secondly, establishing a relationship between performance and pay which will reward employees for increased performance.

There are a number of methods that could be used to measure changes in dockyard performance, ranging from the simple to the complex with concomitant degrees of accuracy. For example, a simple method could be based on the present method for measuring the cost of resources allocated to a warship refit. Currently, the 'Man-week' is the unit used for budgetary purposes for refits. A simple scheme to measure performance could be based on comparing the budgeted Man-week allocation with the actual Man-week expenditure for the refit. If the actual expenditure was less than the planned input, this would represent a saving providing the work content had remained the same. However, such a system would be relatively crude and it would be difficult to measure the contribution made by Industrials employed on maintaining dockyard services for example.

We will describe the system of performance measurement currently used for the Dockyard Efficiency Scheme (DES). This scheme which is based on work measurement to BS 3138 establishes Standard times for jobs, although a derivative of the Standard time technique (comparative estimating) is mainly used for work measurement purposes in the dockyards.

### Standard Time

The Standard time for a job is established by the following process:

a. The job is broken down into a number of separate elements and a

description of each element is recorded on the time study sheet.

b. The time taken for each element is recorded on a time sheet.

c. As each element time is noted, a rating factor for that time is recorded also alongside. This is the time study engineer's assessment of the speed and effectiveness of the operator in carrying out that particular element, relative to 100, which is 'standard performance' on the British Standard scale.

d. Having obtained a series of element times and ratings in this way the next stage is to determine what would have been those times at standard performance. This is known as 'basic time', which is computed as follows:

$$\text{Basic Time} = \frac{\text{Observed time x Observed rating}}{\text{Standard rating (ie 100)}}$$

e. When the basic times have been worked out a relaxation allowance is added to each time. This allowance varies according to the nature of the work and can range from five per cent for light work to fifty per cent for heavy work.

f. Finally, the basic times, increased by the appropriate relaxation allowances, are added together to give the Standard time for the job.

Because work associated with ship repair consists largely of jobs of fairly long duration (perhaps several hours or even days) and with detail differences between one another, attempting to apply a Standard time to each job would be extremely difficult. Thus in the dockyards 'Comparative estimating' is used for work measurement.

Comparative Estimating

The core of this technique is to build up a series of standard times for a range of typical jobs which are known as bench-mark jobs. Tasks for which there is no time-value are compared with the nearest bench mark job and allotted a time on this basis. In order to assist the estimator the practice of 'slotting' is used. Slots are ranges of

times, say 0 - 1 hours, 1 - 1.5 hours etc up to perhaps fifty hours, each with a mean value. If a job which is to be carried out is similar to a bench-mark job with a time value of 1.2 hours, it is placed in the 1 - 1.5 slot and allocated a time of 1.5 hours.

A specialist group exists in the dockyard (PTO IV Estimators) to carry out the task of estimating the work content of jobs. They are attached to production trade centres and their job is to examine work instructions, which contains a detailed description of the job and allocate a time for the job.

Performance is determined by the ratio of work done, in Standard hours, to the actual time taken to do the work. This ratio is termed the Utilisation factor and families of these may be produced to assist in planning and controlling work. For example, by computing the ratio of work done, in Standard hours, to the actual time taken, for a series of jobs undertaken by a work gang or trade centres, Utilisation factors could be generated to compare performance between different groups. In Figure 8.8 this idea has been used to enable more objective reporting standards to be achieved for 'Line' P & T grades, ie the performance of a supervisor's work-gang would influence his staff report assessments.

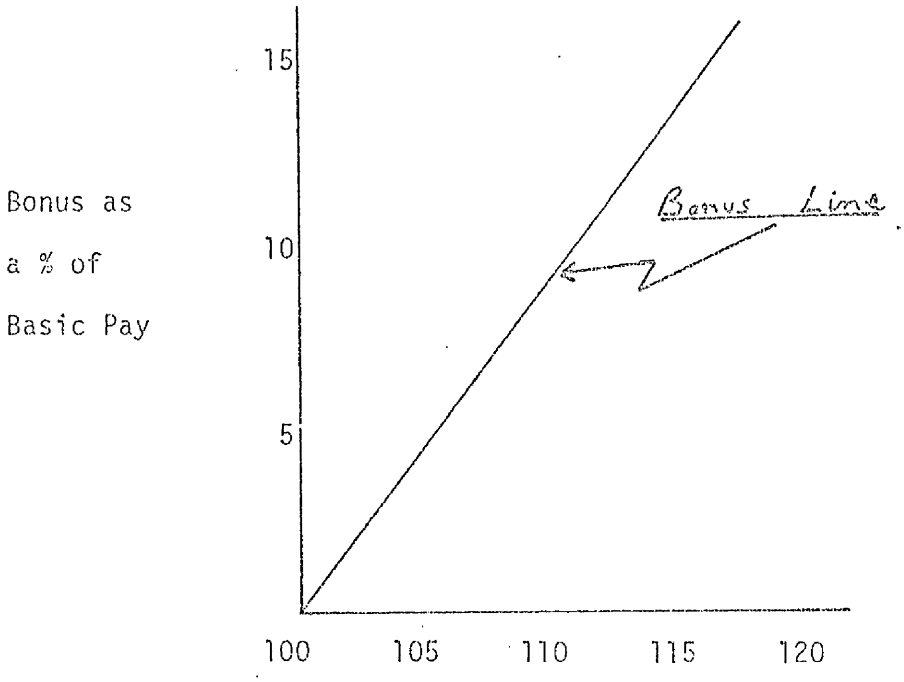
To cater for waiting time, which is a special feature of warship refitting, uncontrolled and diverted activities special crediting rules have been desired for the DES. They are applied to the Utilisation Factor to produce the Bonus Performance Factor.

Linking Performance to Pay

Bonus payments are computed from the ratio of Bonus Performance Factor to a Datum Productive Bonus Factor, the latter being computed for each dockyard at the start of the DES and based upon performance levels achieved before implementation. These bonus ratios are produced every four weeks in the case of the DES and these values determine the Productive

onus Level as a percentage of basic pay to be applied during the following four weeks.

Set out below is a graph which relates the Bonus as a percentage of basic pay to Productive Bonus Performance. The slope of the Bonus Line and the point which it intersects the X axis would be a matter for negotiation.




Bonus are normally paid at plain time rate for eligible hours of recorded attendances. This is done simply to ensure that employees who are absent do not benefit from the endeavours of their colleagues.

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