Merit Pay In The Public Sector: Bright Promise Or False Hope

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(ABSTRACT)

Merit pay refers to the awarding of differential amounts of financial rewards to deserving employees based on their individual performances as measured by Performance appraisal and Rating. The idea is that such a practice would act as a spur to all employees -- both deserving and undeserving -- to improve their productivity to earn the extra pay. The systemic effect would be enhanced organizational productivity and effectiveness. Although it has fallen in and out of favor over the years, as its long history in the public sector shows, interest in the concept endures. So has the controversy surrounding its efficacy or the lack thereof.

This dissertation is an attempt to further our understanding of the potential of merit pay in the public sector. To this end, it makes a critical assessment of the efficacy or the lack thereof of merit pay programs in the public sector. This has been done by integrating the findings of thirty-six empirical studies that examined such programs. Twenty-nine of these studies elicited from employees their
perceptions of how merit pay in their organizations has affected employee motivation, productivity, and organizational effectiveness. The remaining seven represent authors' (non-respondent) conclusions regarding the effect of merit pay on the above variables in the organizations they examined.

Taking all in all, the findings of this study show that merit pay has not significantly enhanced employee motivation, productivity, or organizational effectiveness. In addition, virtually all of the shortcomings and organizational behavioral problems identified in the literature with regard to the implementation of merit pay were found to have plagued the merit pay programs examined in these empirical studies. These problems seem to be ubiquitous and endemic. However, the goal-setting aspect of the merit pay process was found to have led to improvement in employee performance.

Two main recommendations are made. First, organizations should use goal-setting. It can yield beneficial results without the headaches of merit pay. Second, and more desirably, efforts at enduring motivation and productivity improvement should be directed toward promoting teamwork in the workplace and creating a culture that fosters commitment to organizational purposes and cooperation among persons and units within the organization.
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CHAPTER ONE
Political Patronage, Merit Principles, and the Genesis of Merit Pay

...the study of institutions is in some ways comparable to the clinical study of personality. It requires a genetic and developmental approach, an emphasis on historical origins and growth stages (Selznick 1957, p.141).

This chapter provides an historical perspective on Merit Pay in the public sector. It is my belief that, without this perspective, full appreciation of its development and adoption as a worthy motivational device in public employment settings would be compromised. Also compromised would be the full understanding of the controversy surrounding it as well as the reason many have expressed diffidence about it. Therefore, I will provide a retrospective glimpse of the American Public administrative landscape during the formative years of the Republic. It was a landscape dotted with the seeds of political patronage which had rather undesirable consequences for administrative practice. The necessity for reform was undeniable. It led to
efforts that yielded a series of strategic measures to relieve the Public administration of the fetters of patronage, and the polity, of its ill effects. The concept of a Merit System with identifiable merit principles was the culmination of these endeavors.

In order to establish the necessary conceptual connection between the past and the present, I shall also endeavor to delineate the relationship between the Merit System adopted to fight patronage and Merit Pay which developed from it and is, in a limited sense, a furtherance of it.

The Way it Was

The annals of the American system of public administration and for that matter the public bureaucracy, is suffused with endemic and spirited concern for administrative efficiency. The field's history is characterized by a host of institutional efforts at reform intended not only to make sure that those who are recruited in the service of the public are those most suited to do so, but also to ensure that the highest standards of managerial competence and dedication are achieved (Skowrenek, 1982; Nelson, 1982;

Although the Washington and Adams' administration were demonstrably concerned with an able civil service, they did not in any direct sense advocate efficiency as we know it today; or spark off the movement for it. According to Mosher:

There appears to be general agreement among historians that George Washington and his immediate successors took great pains to assure a high level of competence in their appointments to the principal offices in the executive branch (1982, p. 60).

However, in pursuance of this vision of a competent civil service, they used what has come to be termed the standard of "Fitness of Character" to determine the eligibility for public service of those they considered for appointments (Lee, 1979; Mosher, 1982). This standard of eligibility for public service invariably tended to favor the wealthy and the educated classes in the country (Maranto and Shultz, 1991). It is important to point out here that, although "Fitness of Character" had to do with executive appointments and had the effect of virtually excluding the common folk from the upper
reaches of the bureaucratic hierarchy, it nevertheless was a merit principle, but one that "...relied upon a special construction" of the term (Mosher 1982, p. 60). Because of this reliance upon merit, however improperly or imperfectly conceptualized and the fact that there were no formal political parties at this time, undue political influence over administrative functions via personnel was virtually unknown. This was doomed to change by Washington's second term in office when political parties began to spring up and would drastically alter the American political and administrative landscape (Lee, 1979; Mosher, 1982).

Advent of Patronage and the Stirrings for Reform

The trail of reform which led to calls for administrative efficiency, effectiveness, and economy, started with the need, early in the life of our republic, to jettison the burden of political patronage, or, what politics and administration scholars have dubbed the spoils system (Mosher, 1982; Campbell, 1978; Lee, 1979; Sylvia, 1989). Succinctly put, it was "the practice of appointing friends or political associates to public jobs" (Lee 1979, p.15).
This development in the American public administration began with the emergence of political parties and the accession of Thomas Jefferson to the presidency of the United States. Although, Jefferson "did not engage in patronage on a wide scale", (Ibid., p. 18) he is regarded as the father of political patronage. This, obviously, was because he expressed his intention that "he would use the appointment power to bring 'balance' to the composition of the federal branch" (Ibid., p. 18).

The use of patronage openly and pervasively however, is held to have begun with the presidency of Andrew Jackson who, in his first inaugural address said most ironically:

The recent demonstration of public sentiment inscribes on the list of executive duties, in characters too legible to be overlooked, the task of reform which will require particularly the correction of those abuses that have brought the patronage of the federal government into conflict with the freedom of elections, and the counteraction of those causes which have disturbed the right course of appointment and have placed or continued power in unfaithful and incompetent hands. In the performance of a task thus generally delineated I shall endeavour to select men whose diligence and talents
will ensure in their respective stations able and faithful cooperation, depending for advancement of the public service more on the integrity and zeal of the public officers than on their numbers" (Mosher, 1982, pp. 64-65).

It is ironic because the language of this pronouncement could not have suggested the level of patronage that Jackson contemplated. Hoogenboom (1968) alluded to this irony in his observation that: "Andrew Jackson's presidency did not mark as sharp a break with the past in practice as it did in theory" (p.5). His later statements more surely pointed in the direction for which he is remembered to this day as the President who legitimized the spoils system by his flagrant use of it; and by so doing caused the level of resentment and discontent that sparked off efforts at real reforms. Jackson rationalized his preference for rotation in office, patronage, turnover of federal workers in the service of a more representative bureaucracy by declaring that:

The duties of all public offices are or at least admit of being made so plain and simple that men of intelligence may readily qualify themselves for their performance; and I cannot but believe that more is lost by the long continuance of men in office than is generally to be
gained by their experience (Mosher, 1982, p. 65).

The politicization of the federal bureaucracy which characterized the leadership of Jackson and that of successive administrations was increasingly seen as a major cause of graft and corruption in government which "eventually reached the highest levels of the federal government in the Grant administration, and of municipal government under Boss Tweed in New York" (Nelson, 1982, p. 120). But, it was also seen both as a stultification of the national political and administrative process (properly conceptualized) and a source of incompetence in the conduct of public affairs. Commenting on this state of affairs, Congressman Thomas Jenckes, one of the earliest leaders of the civil service reform movement is quoted to have said:

The true interests of the government ...[could] best be served, its expenses lessened, the character of its officers improved, and its business more effectually done, by an entire reformation in the mode of making appointments in civil service" (Ibid., p. 120).

As the above statement clearly shows, Thomas Jenckes and
others, we might add, [based on the literature on this subject] were not only concerned with the unwholesome political effects of patronage but also with making administration effective, economical, and efficient. President Hayes himself is quoted as saying that the first aim of the merit system for civil service appointment was "to have the business of government done on business principles" (Skowrenek, 1982, p. 51). Donald Sylvia (1989) expressed this sentiment thus:

members of the reform movement further believed that the people were entitled to the best government possible. Good government as they defined it, meant applying the principles of business management to government enterprise. This meant that the goals of the organization could best be achieved by applying its resources in the most efficient and effective manner. Thus, beginning in the 19th century, the values of a business-oriented culture began to be manifested in the operations of its government (p. 20).

How interestingly identical President Hayes' thoughts on merit are with those of present-day advocates of merit pay; to bring proven principles of, and practices in, business to bear on the administration of public institutions.
General Reform Orientation

Historically, the steps that have been taken to steer public administration in this direction have included definitions and conceptualizations of eligibility, ability, and competence that reflect more technical visions of the merit principle than was the case heretofore. The principle of merit as "the making of personnel decisions based upon the qualifications or capabilities of individuals rather than on their political allegiances or friendships" (Lee, 1979, p. 15) was the conceptual response to the problems of patronage. The fusilade of executive orders, departmental initiatives, and legislative enactments that have followed ever since constituted the practical weapons used to ensure the survival of the merit principle and the extirpation of patronage.

Specific Reform Initiatives

The first of these practical tools to be employed in the search for a more meritorious and efficient public administration was a requirement in 1853 of "pass examinations" for the selection of clerical workers (Lee, 1979; Schinagl,
The significance of this 1853 legislative mandate is two-fold. First, it gave strategic legitimacy to the calls for a public service that would operate under a truly merit principle. Second, and perhaps most notably, it marked the beginning of a conscious effort at the strategic apex of government to take positive steps to improve not only the image of the public service but also its functioning (Lee, 1979; Schinagl, 1966). The 1853 requirement set the stage, as it were, for later reforms, culminating in the Civil Service Reform Act of 1978 which made provisions for what has come to be called merit pay.

Among these efforts was the creation in 1871, of the first Civil Service Commission (President Grant's advisory board) following the "degeneration to mere formality" - within a few years of its adoption - of the 1853 "pass examination" requirement (Hoogenboom, 1968). The board set up in the New York customs service a system of competitive examinations consisting of two parts. Not only were candidates required to take a written test but the efficiency with which they performed their duties on the job was also evaluated" (Schinagl, 1966, p. 17).
This board became defunct in 1873 and was succeeded in 1883 by the second Civil Service Commission created under the aegis of the Pendleton Act which by all accounts was landmark legislation. Also known as "An Act to Regulate and Improve the Civil Service of the United States", the Pendleton Act embodied visions of administrative reform "that even today provides the framework for the personnel system and its management in the federal government. It has also served as a model for the civil service system of many states" (Pursley & Snortland, 1980, p. 247). In seeking to improve the performance of the civil service, the Act mandated open competitive examinations for entrance and promotion, a probationary period of six months, and protection of the civil service and civil servants therein from nepotism and political pressures respectively (Lee, 1979; Mosher, 1982; Schinaql, 1966; Pursley & Snortland, 1980; Milkovich et al. (eds.), 1991; Van Riper, 1958; Skowrenek, 1982; Nelson, 1982).

**Reality Assessment: Unrealized Hopes**

Like the rather tepid and sporadic reform proposals that preceeded it (the 1853 pass examination requirement,
President Grant's advisory board's joint use of efficiency ratings and promotion examinations), the Pendleton Act proved to be less than a total success (Milkovich et al. (eds.), 1991; Pursley and Snortland, 1980; Lee, 1979; Schinagl, 1966). Its implementation was plagued by the all-too-familiar problems that have prompted experts and knowledgeable observers "to complain that good ideas are dissipated in the process of execution" (Pressman & Wildavsky, 1973, p. xix). Difficulties with formulating tests that will validly elicit desirable employee (applicant) qualifications, especially at the executive level, fraudulent use and administration of entrance and promotion examinations, extraneous and expedient interference with the integrity of efficiency ratings, intense and disruptive disagreements over the relative weights to be given to efficiency ratings and promotion examinations, serious misgivings regarding the practical ability of any supervisor to be accurate, given that he or she is fair; and general managerial laxity, have all been cited as factors that detracted from the implementation of the Pendleton Act (Schinagl, 1966; Skowronek, 1982).

Thus, although neutrality was a cardinal objective
of the newly established merit system, it did not supplant patronage which continued for many years to be more than a mere vestigial nuisance. Milkovich, et al. (eds. 1991) remark that:

The fledgling merit system, intended to remove politics from the federal services, developed and grew as politics allowed. Its history is not, therefore, one of coherent development; it reflects shifting and changing political priorities and cycles. Both Congress and the President retained a keen interest in patronage issues long after passage of the Pendleton Act. ...In the New Deal years, Franklin D. Roosevelt successfully urged that the new agencies created be staffed by persons with policy expertise congruent with the President's interests, rather than the "neutral competents" produced by the civil service examination system. When Roosevelt assumed the presidency in 1932, about 80% of federal employees were in the competitive civil service. By 1936, that proportion was about 60%" (p. 15).

Such is indicative of the characteristic propensity of Presidents to exercise managerial control over the civil service (Stanley, 1984; Maranto and Shultz, 1991). It is also indicative of the human, organizational, and technical difficulties of implementation. That these two realities or
phenomena are still associated with succeeding reform efforts, including the Civil Service Reform Act of 1978, underscores the importance of examining Merit Pay within a historical context. It is also largely due to this gap between theory and practice; intention and reality, that one reform inevitably follows another.

**More Initiatives: Advent of Efficiency Ratings**

In 1912 for example, Congress required the Civil Service Commission to establish a uniform efficiency rating system for all federal agencies (Schnagl 1966, p. 15). To this end, a Division of Efficiency was created. The relics of old challenges, the emergence of new ones, and the general ambience of unfulfilled aspirations spurred other initiatives, viz:

- The Classification Act of 1923 which, besides describing job requirements, was to use a uniform system of efficiency ratings in the making of decisions regarding retention, dismissal, decrease in compensation, and promotion within grade;
- The Ramspeck Act of 1940 which established efficiency rat-
ing boards of review;

_ The Federal Performance Rating Act of 1950 which repealed the Efficiency Rating Act of 1912.

**The Beginnings of Merit Pay**

Along this trail of reform strewn with decrepit monuments and milestones to efficiency is one Act not mentioned above. It is the Classification Act of 1949. Its special significance for us lies in two main developments. The first is the fact that, it contained specific provisions for reward which perhaps make it the most pertinent historical Act for our purposes. The second is that, it signifies a point of departure from the more general emphasis on merit systems (a descriptive concept used in the public sector for hiring and promotion decisions rather than compensation decisions) to the more compensation-specific merit pay. The Act stipulated, among other things, the disbursement of cash awards or increases in pay to personnel whose "superior accomplishments have contributed to outstanding efficiency and economy in administration" (quoted in Schinagl, 1966, p. 75). In pursuance of the provisions of that Act, the
Incentive Awards Act of 1954 (Public Law # 763) was made. This gave agencies the authority to make awards of up to five thousand dollars ($5000.00), and with the approval of the Civil Service Commission, up to twenty-five thousand ($25,000.00) for "highly exceptional suggestions, inventions, or superior accomplishments" (Ibid., p. 77). Furthermore, the program "permitted salary increases as a reward for superior accomplishments" (Ibid., p. 77). The salary reform Act of 1962, in addition to reinforcing the intent of Incentive Awards Act, provided for an additional step increase or quality step increase (QSI) for meritorious performance. Because the Classification Act of 1949, as well as the Incentive Awards Act of 1954 and the Salary reform Act of 1962 which came in its wake, stipulated the granting of extra pay for exceptional performance, it could be considered the distant precursor of the concept we today call merit pay.

Thus, merit pay is, a lineal descendant of the ongoing effort to improve the performance of the public sector; a commitment which has its roots in the reform movements started in the early days of the American republic. It should be rightly seen as a step on a continuum of indeter-
minate steps toward excellence. It is not necessarily the long awaited cure-all conceived, formulated, and guaranteed by some infallible social alchemist. Rather, it is merely the latest motivational approach in a succession of strategic efforts to elevate governmental administrative performance. But, it is also one with potentially negative, as well as positive ramifications, hence the necessity to critically assess its efficacy.

Merit pay has been defined as "individual pay increases based on the rated performance of individual employees in a previous time period" (Heneman, 1992, p. 6). It is the awarding of, among other things, differential amounts of financial rewards for good performance or the denial of same, among other things, for poor performance.

Immediate Cause and Rationale for ContemporaryMerit Pay

The endorsement of merit pay can best be understood by looking at the state of the federal civil service as perceived by the people and those who represent them. The image of the federal bureaucracy is not one which inspires confidence in the ability of government to get things done. Rath-
er, it is one which portrays the public sector as endemically incompetent and inefficient (Maranto and Shultz, 1991). It is neither necessary here nor feasible, within the scope of this project, to get into a detailed discussion of the maladies often proffered as justification for the image. The literature on the performance and productivity of the public sector is virtually suffused, and to some people, ad nauseam, with accounts of them (Goodsell, 1985). So are the dailies, monthlies, other periodicals, and the electronic media. Suffice it, therefore, to offer a few observations which are representative of the opinions and frustrations of many in the days preceding the passage of the Civil Service reform Act of 1978.

The system has serious defects. It has become a bureaucratic maze which neglects merit, tolerates poor performance, permits abuse of legitimate employee rights, and mires every personnel action in red tape, delay, and confusion (President Carter, quoted in Lee, 1979, p. 32).

... there is widespread criticism of federal government performance. The public suspects that there are too many government workers, that they are underworked, overpaid, and insulated from the consequences of incompetence

It is perhaps useful to point out here the observation that there is a historic presidential tendency to harp on these negative depictions of the public bureaucracy to garner popular support for civil service reform. Maranto and Shultz (1991) observe that:

...the topic of bureaucratic and civil service reform has been a major and recurrent issue of politics in America for at least 160 years...almost every presidential candidate since the civil war has run for office with the pledge to clean up our government and make it more efficient or productive (p. 6).

Like Presidents Carter and Reagan who harped on the fact that they were Washington outsiders poised to purge the public bureaucracy of its ills (Maranto and Shultz, 1991; Stanley, 1984), President Eisenhower for instance, campaigned to clean up the mess in Washington (Stanley, 1984).

The National Journal (September 30, 1978), just before the passage of the CSRA of 1978 contained an article which began thus:

Bureaucrats. If you're not one of them
you probably can't stand them. You figure that they are lazy and overpaid, that they arrive at work late and leave early and take long lunch hours. But you can't do anything about it, because it is impossible to fire a bureaucrat (p. 1540).

Such excoriation characterized, and perhaps still does, the sentiments of many toward the federal government and "public opinion surveys documented the accuracy of these general assumptions" (Brown, 1982, p. 71).

A caveat may be in order here. What the above statement seems to say is that the public actually perceives the public bureaucracy in this negative light. It does not seem to say that the perception is a reflection of objective reality, whatever that is. It is so only in so far as public perception is interpreted as congruent with objective reality. But, it is sometimes not. Thayer (1990) points out that:

There was not a shred of evidence that the Civil Service was corrupt, lazy or in need of basic overhaul. CSRA, therefore, is best understood as a significant factor in the "cutback" movement, otherwise known as the "all government spending is wasteful, let's reduce it trend (p. 75)
It is apparent therefore, that, although Mosher (1982) points out that: "the 1978 Act was the first legislation to list merit system principles as well as prohibited personnel practices" (p. 106), the conceptual, prescriptive, and normative values of the Act (efficiency, performance-based retention or promotion, and rewards for excellence) are echoes from the past (Lee, 1979; Ban & Reddell 1990; Campbell, 1978; Milkovich et al., 1991; Newland, 1976). So were the largely negative perceptions that provided the raison d'etre for the Act. As it is sometimes said, the past is prelude. The times were different; the circumstances were also largely different; but the precipitating frustrations were similar. So were the goals sought (competent public service machinery) and the measures that have been taken to realize them.

For Alan K. Campbell, President Carter's spokesman for the reformation of the federal civil service, the source of the problem was the way top federal employees were compensated. The extant compensation system and the laws surrounding it hindered rather than facilitate productivity and excellence in performance. In consequence of this, the public
sector is not as productive and efficient as the private sector. While testifying before the United States' House of Representatives, he observed that:

present laws provide pay increases primarily based on length of service and do not allow adequately for granting extra pay for better performance or for withholding pay increases when performance is less effective (Campbell, 1978; in Thompson, (ed.), 1979, p. 79).

And, Senator Percy during the congressional hearings on the merit pay aspect of the Civil Service Reform Act of 1978, said:

I have found through my years that there is nothing that spoke better than money. We degrade it sometimes, but it is the means by which we educate our children and provide a satisfactory way of life for our families and so forth. Monetary reward is a very, very powerful thing for people who really and who are excellent. And if some get it and some don't, the word gets through to the ranks pretty fast. It pays to do an excellent job. I just found it a weapon that is invaluable to the private sector (U.S. Congress, 1978: pp. 835-836, cited in Brown 1982, p.73).

But, as Downs and Larkey (1986) point out,

first, governments are probably not as
poorly managed and businesses are certainly not as well managed as is generally believed. Popular conceptions of government performance are not founded on careful analysis but on an amalgam of ideology, anecdotal evidence, and invidious comparison. Images of U.S. private sector performance ignore a remarkably undistinguished record of productivity growth relative to other industrialized nations as well as countless individual instances of business inefficiency comparable to those of the worst government bureaucracies. The vast majority of supposedly rigorous comparisons of performance in the public and private sectors tend to be flawed or inconclusive and not particularly useful in devising reforms (pp. 2-3).

Pertinent Provisions of the Civil Service Reform Act (CSRA) of 1978

Although, it (merit pay) "has had a long history in the United States civil service" (Perry, 1986, p. 57), as shown above; its renewed interest as the focus of much animated discussion in Public administration can be traced to the above agitations and concerns which culminated in the passage of the Civil Service Reform Act of 1978. The pertinent sections of the Act state that:

- Equal pay should be provided for work of equal value, with appropriate consideration of both national and local rates
paid by employers in the private sector, and appropriate incentives and recognition should be provided for excellence in performance.

Employees should be retained on the basis of the adequacy of their performance, inadequate performance should be corrected, and employees should be separated who cannot or will not improve their performance to meet required standards (quoted in Lee, 1979, p. 28; Full text in Thompson (ed.), 1979, p. 363).

These provisions, dubbed merit pay, were the basis for the creation of the senior executive service (SES) of the Civil Service. Merit pay was to be linked to the performance of this executive class of the Civil Service and extended soon after to the lower classes of GS 13 through 15 (Mosher, 1982; Lee, 1979; Loverich, 1987; Campbell, 1978; Milkovich et al. (eds.), 1991). There was also "the expectation that in time such provisions would be extended to the entire federal workforce" (Loverich, 1987, p. 55). The fact that the then director of the Office of Personnel Management, Don Devine, "sought to make such an extension a matter of high priority" (Ibid., p. 55) eloquently attests to the zeal and confidence
with which Merit Pay was received as an idea which will improve the motivation and performance of civil servants. By making increases in pay contingent on performance, the performance of federal employees would improve. This is because they will be motivated to perform at higher levels to earn that extra pay which is contingent on high performance. The systemic effect would be improved organizational and governmental productivity and efficiency. Additionally, higher performance, and therefore higher productivity will dispel the suspicion that "the federal government is the incompetent's best friend" and generally restore confidence in the integrity of public employees.

But, how do you do it? How does one operationalize merit pay. This brings us to the issue of a concommitant requirement termed Performance Appraisal and Rating.

**Performance Appraisal and Rating**

Performance appraisal "is the process of identifying, measuring and developing human performance in organizations" (Baird, Beatty, & Schneider 1982, p. 4). It serves various purposes for organizations. It helps an
organization determine not only the productivity of each employee but also, through feedback, how the employee can improve on his or her performance. There are several types of performance appraisal formats. These include global ratings, trait-based scales, behavior-based scales, and effectiveness-based scales (Ibid., pp. 5-6). Each has its own advantages and disadvantages. There are also many ways that an appraisal can be done. It can be done "by managers, peers, subordinates, employees themselves, outsiders, or some combination of the above" (Ibid., p. 7). Its main features are discernible from the following guidelines developed under the Civil Service Reform Act of 1978 are as follows.

1. Agencies are to develop and describe in writing performance appraisal systems which would be subject to the review and approval of the Office of Personnel Management (OPM).
2. Employees are to be encouraged to participate in the establishment of performance standards on the basis of which their subsequent performance on the job will be evaluated.
3. Additionally, supervisors (or agencies) are to list for each employee specific tasks considered critical (critical elements) to satisfactory performance on any job "which
permit to the maximum extent feasible, the accurate evaluation of job performance on the basis of objective criteria related to the employee's position" (Brown, 1982, p. 74).

4. These performance yardsticks are to be communicated to the employee prior to the period for which his or her performance will be appraised.

5. Appraisals should be done periodically.

6. Performance will be the basis for the disbursement of monetary rewards or the denial of same, as well as, for training, reassignment, promotion, reduction in grade, retention, and of course, removal of those "whose unacceptable performance continues after they have been provided with an opportunity to demonstrate acceptable performance" (Ibid., p. 74).

7. Failure to perform satisfactorily on any one critical element is also grounds for remedial or disciplinary action.

Thus, without performance appraisal, merit pay is practically meaningless. As Magnusen (1987) observes, "fundamental to the success of any pay-for-performance approach, of course, is the evaluation process by which individual . . . are appraised" (p. 516). This is because, it is a necessary step; indeed, a sine qua non to
determining who is more meritorious and by how much; who is deficient in what and by how much; and who needs what kind of remedial training and/or education (Mcgregor, 1957; Perry et al., 1982; O'Toole & Churchill, 1982; Milkovich et al. (eds.), 1991; Brown, 1982; Lee, 1979). Herein then, lies the problem.

**Implementation: The Achilles Heel**

A valid, objective, and measurable standard of performance has to be established for each and every employee. Even when this is done satisfactorily, appraisal and rating of employees have to be characterized by objectivity. This demands integrity on the part of employees, as ratees; supervisors, as raters; and the entire organization as a facilitator. This is not easy, to say the least; and research indicates that the entire process is riddled with too many problems. While we do not see the necessity to dwell on all of the problems, it is useful to mention a few more. With regard to raters, they include: latitude in appraisal and rating, tendency "to take care of subordinates through the paternal role of the benevolent supervisor", worksite politics, etc.. With regard to the
organization, they are: bias in favor of employees in "crucial units", unwholesome competition between employees with all its debilitating consequences, legitimization of "self-interested behavior" etc. As regards employees, inflexibility in the pursuit of narrowly defined performance objectives, etc. This litany of serious problems with performance appraisal is, indeed, only a synopsis.

It is virtually impossible to determine the efficacy of merit pay as a motivational prod when the instrument by which merit pay determination is to be made, is riddled with too many problems which make it seem inherently unworkable. Yet, the advocates of the system contend that, it could be made to work quite well; that the problem is only a technical one which could be overcome with greater effort, dedication, etc. (Golembieski, 1986). However, others disagree, and contend that the problem with merit pay is not the technical difficulties of coming up with appraisals that work the way that they are intended. Rather, they claim that the theory on which the whole concept of merit pay is based, may be fundamentally flawed. Gabris (1986) asks: "If merit pay is having so many problems in the public sector, then why
is it pursued so vigorously? One reason may be that it sounds so good in theory" (p. 5). Perry (1991) also asks:

Why does a seemingly good idea such as PFP so frequently fail to achieve expectations? One answer may be that PFP is not a good idea, depending on the motivational theory to which you subscribe (p.77).

Lovrich (1987) takes it even further, saying:

Upon initial consideration it would seem that merit pay makes eminently good sense. One can easily agree with the premise that motivation in the workforce is to a considerable degree dependent upon incentives (both negative and positive). However, the automatic raise aspect of civil service salary schedules removes those financial incentives so important for the proper motivation of public employees. For example, for the talented and hardworking employees what incentive exists to enhance performance if their added efforts are rewarded at the same rate as those who do not make such efforts? Conversely, for the mediocre employee doing just enough to get by, what incentive exists for him or her to try harder if lackluster performance is still rewarded? Does it not stand to reason that a more direct link between pay and performance motivates both of these types of employees through appropriate incentives? For the talented but disheartened, the promise of higher pay for additional commitment to task would serve to unleash the power of positive incentives. For the apathetic employee,
in contrast, the threat of a reduction in compensation (in relative terms certainly) should serve as a powerful negative incentive to avoid such a loss (p. 55).

Such cynicism makes it rather imperative that we examine the theoretical foundations of this instrument that is supposed to raise the productivity of the public sector.

**Theoretical Foundations**

Systems or policies intended to serve organizational needs sometimes fail or succeed depending upon the soundness or the lack thereof, of the theoretical foundations on which they are based. There is virtual unanimity among organizational theorists on this assertion. The inadequacy of Scientific Management (Taylor, 1911; Fayol, 1949; Gulick, 1937; Mooney, 1930) to maximize organizational effectiveness; the advent of the Human Relations school of thought (Chester Bernard 1938, Roethlisberger and Dickson, 1939) with its more inclusive theory; and the emergence of the even more encompassing views of the Contingency school, which has all but supplanted earlier theories illustrates this point. The entire spectrum of concepts and designs that is constantly
formulated and reformulated by organizational experts and subsequently examined, discussed, adopted, or discarded depending upon their perceived potential or efficacy, rests on some theoretical understanding or construct. Thus, while Frederick Taylor's principles of Scientific Management rest on the theoretical assertion that man is lazy, unmotivated, lacking in initiative and therefore needs constant proding, supervision, and control; the Human Relations school, spurred by the revelations of Elton Mayo based their theoretical formulations on motivation, work, and output on the "function of social relationships in the work setting" (Hrebinia, 1978, p. 103)

Similarly, the appropriateness, or the lack thereof, of merit pay can be examined in light of certain theories of motivation. Several of these readily come to mind. Pre-eminent among them are Abraham Maslow's "Theory of Human Motivation;" McGregor's "The Human Side of Enterprise;" Herzberg's "The Motivation-Hygiene Concept and the Problems of Manpower;" the "Expectancy Theories" of Campbell et al.; Lawler; and Vroom. We will examine the insights of these and other pertinent views for their relevance for merit pay.
Frederick Taylor for instance, saw money as a motivator. Deci (1975) on the other hand contends that "money is an ineffective motivator because it relies upon extrinsic rewards and therefore, stifles intrinsic motivation."

Thus, the literature on the subject is characterized, not by unanimity, but rather, by a variety of views, not only from scholars and practitioners, but also from politicians and the observing public. Merit pay advocates imbue it with the power to make government more productive and its detractors, the capacity to create many more motivational problems than it would ever solve; with most equally informed positions ranging from certitude and contingent optimism to doubts and reservations. One cannot but wonder why such an attractive idea which embodies notions of motivation so commonsensical, so self-evident, and so irresistible in their intuitive appeal should be the subject of so much evaluational inconclusiveness. The issue becomes one of "to be or not to be". Be it as it may, the implications of either - adopting merit pay or discarding it - are sundry and weighty indeed. Contemporary social and economic realities have ushered in an era of diminishing expectations
and the public sector is increasingly seen as largely culpable. Will merit pay catapult us to new productivity heights, maintain the status quo, or further depreciate our already tottering competitiveness? This is why the decision to stay with it or drop it is critical. It seems even more so as one ponders the following observations.

Public sector expenditures now account for a significant percentage of our national budget. Federal, state, and local governments together employ millions of people. The federal government is by far the single largest consumer. Much of private sector industrial and commercial activities are directly or indirectly dependent on the administration and organization of government. Government is either the sole or main provider of basic infrastructures, such as, bridges, roads, water supply, education, to name but a few. With its sprawling presence and leverage, made possible through myriad institutions, agencies, and an ubiquitous army of workers, government greatly influences not only the quality and productivity of the private sector, but also the quality of life itself. Government alone has the power to levy taxes and to spend the revenue thus realized.
As Siegel, Gilbert B. (ed., 1974) reminds us, "It should not be overlooked that governments at all levels employ 18% of the nation's labor force" (p. 7). In fact, Alan K. Campbell (1978) proffered this issue - the size of the public sector - as ratiocination for action to enhance the productivity of government personnel. As he put it, 

This concern seems all the more reasonable when one realizes that the public sector now consumes about one-third of the Gross National Product every year. Public sector performance, therefore, substantially affects the national economy. Quite rightly, the public expects it to be at least as productive and efficient as the private sector (p. 103).

As Lane (1994) points out:

There are 19 million civilian public employees in some 80,000 units of Government in the United States today. Government expenditures add up to about one-third of the nation's total of goods and services. It is hard to imagine any aspect of contemporary life in which Government - and especially its administrative agencies are not involved. Public bureaucracies deliver most of our educational and health care services, fight fires and crime, protect the air and water,
and regulate business practices. No matter what the contemporary challenge - AIDS, drugs, homelessness, public administration is central to the response (p.vii).

With such far-reaching influence over so much that happens in the society, it is patently imperative that government function well; efficiently, that is. But, it is not functioning well, critics charge; and with unmitigated vigor and captivating tenacity.

Measurements of federal productivity have lagged behind private sector productivity for several years. Further, private sector productivity in the U.S. has been well below what it was 10 years ago and only half of the productivity rates of Japan, West Germany, and France. . . . This perception of low federal productivity was fueled not only by examining recent productivity indicators, but also by the widely held belief that too little gets done in the federal bureaucracy " (Beilone, 1982, p. 65).

It is therefore, both in the interest of scholarship and good management - in fact, the whole society - that we critically assess the empirical status of this
device whose architects contend would release the motivation genie from her urn. Fortunately, there is a body of empirical research that could be utilized for this purpose. While the bulk of this research on the efficacy of merit pay has been done with respect to the private sector, some have been done concerning the public sector as well; and the number is growing. It is high time that one began to analyze, integrate, and synthesize them before "they become overwhelming in their systematic unintelligibility" (Haire, 1954). To this end, we will use meta-analysis – a method for integrating and synthesizing the findings of existing empirical research studies. Hopefully, by doing this we would be able to determine if merit pay in the public sector represents bright promise or false hope. In addition, accomplishing these objectives would preclude further proliferation of repetitive research and direct future efforts to areas that need more attention.

The remaining part of this dissertation will comprise four chapters. As we have seen in this introductory chapter, merit pay, in its various forms, has a long history in the public sector. Its history is even longer in the
private sector to which we owe our enduring infatuation and flirtation with the concept. Its survival as a motivational concept that still enlists the support of many is due, in part, to the inexorable appeal of the theories underlying it. Similarly, its falling in and out of favor is due, in part, to the influence of other theories with divergent claims. Quite appropriately, in chapter two, I shall provide a review of the theory and research on pay and work. This review will encompass claims from both supporting and opposing camps.

Does it work? This is a question that almost certainly would be asked whenever a policy is being considered for continuation, extension, or cancellation. Is merit pay a program that we should embrace because it works or, is it one that we should discard as representing an illusion. In chapter three, I shall try to answer this question by making a critical assessment of the efficacy or the lack thereof of actual merit pay programs as documented in empirical studies on the subject. This will be done by integrating the findings of these studies.

Although some people object to merit pay on the grounds that the theory or theories on which it is based is
flawed, most of those who do not support the idea say their reason is that its implementation is riddled with too many problems which render it virtually unworkable. Even merit pay enthusiasts agree that its implementation is problematic. Therefore, chapter four will be an examination of the theory and research on the implementation of merit pay. Major sources of problems identified in the literature will be discussed. A more specific overview, as well as a summary will be provided for each of chapters two, three, and four.

Finally, in chapter five, the concluding chapter, I shall provide a grand summary of the dissertation and my recommendations.
CHAPTER TWO

THEORY and RESEARCH ON PAY and WORK

A feast is made for laughter, and wine maketh merry: but money answereth all things (The Holy Bible [KJV]: Ecclesiastes 10:19).

What brings the worker to the workplace? The same motivator that brings the manager to work: pay ... Pay is the common denominator that brings all people to work. It seems useless to debate whether money is first or fourth on value scales for workers or executives. No one works without it. If pay moves people to work, then it seems reasonable that pay can also serve as an incentive to increased motivation to work and to improved work performance (Fein, 1976).

The unaided power of material incentives, when the minimum necessities are satisfied, in my opinion is exceedingly limited as to most men, ...Notwithstanding the great emphasis upon material incentives in modern times and especially in current affairs, there is no doubt in my mind that, unaided by other motives, they constitute weak incentives beyond the level of the bare physiological necessities (Barnard, 1938, p. 143).

This chapter provides a review of the literature on the
theory and research on pay and work in organizations. Its focus is the motivation of people at work, especially as it relates to merit pay. It reiterates two pivotal observations made in the introductory chapter to this volume. These observations are:

1. Systems or policies intended to serve organizational needs sometimes fail or succeed depending upon the soundness or the lack thereof, of the theoretical foundations on which they are based. There is virtual unanimity among organizational theorists on this assertion. I use the word "sometimes" advisedly in recognition of the possibility that technology, the state of our knowledge, values, and even fads, can render an otherwise sound theoretical formulation empirically invalid and unreliable.

2. Given that the theory on which they are based is sound, policies or systems are only as good as the actors involved in their implementation want, or could make them to be.

The efficacy of merit pay is, as much as any other program, subject to the above contingencies. For this reason, this literature review will comprise two parts. In the first part, chapter two, I shall discuss major approaches to the
concept of motivation in general as well as the major perspectives and theories on the subject. My approach to the discussion is developmental, classificatory, and loosely chronological. To this end, I shall begin with an examination of such earlier constructs as Instinct theory and Scientific management, and follow with exploration of later and contemporary developments. These will include the widely acclaimed contributions of such venerated luminaries as C. L. Hull, Abraham Maslow, Chester Barnard, Roethlisberger and Dickson, Douglas Mcgregor, Frederick Herzberg et al., Edward Lawler, Campbell, Victor Vroom, McClelland, etc. Throughout the discussion, my predominant focus will be on the explicit or implicit relevance of these theoretical insights for the use of money, as in merit pay, for motivation, in contrast to such competing notions as job enrichment, participative decision-making, etc. As a prelude to this discussion, I shall present some thoughts on the importance of money in the society, its power; and why organizations are interested in research on pay and people.

Because it is pivotal to the implementation of merit pay to which it is inextricably linked, I shall devote
chapter four to an examination of the theory and research on the implementation of merit pay. Essentially, it is an examination of how Performance Appraisal and Rating hinders or facilitates the operationalization of merit pay. An overview of this section will be provided at the beginning of the chapter.

**The Importance and Role of Money**

Pay, and perhaps more appropriately in this instance, money, is such an important part of life in modern societies that it is difficult to understand fully how pre-modern societies functioned so effectively without it. Today, and perhaps as never before, money plays an exceedingly pivotal role in our daily lives. We use money to purchase housing, food, clothing, transportation, and other necessities of life. We also use money to acquire the education and/or training we need to realize our occupational and professional aspirations, to obtain needed medical care when our health is impaired, and to generally meet the myriad obligations and responsibilities that ineluctable social and economic entanglements bring with them. Thus, money is virtually indispensable to the fulfillment of our physical
and material needs. This ability is, in itself sufficient to make it an object of intense pursuit. But, that is not all.

In many societies, the role and function of money go beyond the meeting of these needs. It bestows differential levels of prestige, power, and security upon members of the society in proportion to the amount they possess. This is primarily because money enables us to acquire wealth and property, and these in turn influence our social status (Fein, 1976). In the *Theory Of The Leisure Class*, Thorstein Veblen (1935) writes:

The quasi-peaceable gentleman of leisure, then, not only consumes of the stuff of life beyond the minimum required for subsistence and physical efficiency, but his consumption also undergoes a specialization as regards the quality of goods consumed. He consumes freely and of the best, in food, drink, narcotics, shelter, services, ornaments, apparel, weapons and accoutrements, amusements, amulets, and idols or divinities... Since the consumption of these more excellent goods is an evidence of wealth, it becomes honorific; and conversely, the failure to consume in due quantity and quality becomes a mark of inferiority and demerit (pp. 73 -74).

**Organizations as Sources of Pay (Money)**

For a large number of people, this money comes in the form of pay for services rendered or goods delivered to persons or organizations. According to Lawler, "We live in a
society that is dominated by organizations. Four out of five people work in organizations at one time or another during their lives" (1973, p. 5). Furthermore, he observes: "most people spend at least half their waking hours working under a pay system" (Lawler, 1971, p. 2). The above statements seem to suggest that a significant proportion of the money spent by people comes from organizations in the form of pay.

**Perceived Potency of Money (Pay)**

Because it has become virtually indispensable as a medium of exchange in economic transactions (Vroom, 1982; Neff, 1968) and enables us to "do things," it is generally presumed that money can be, and is, a potent, if pre-eminent factor in the determination of individual behavior in organizations; i.e; in influencing people's motivation to behave one way or another with regard to effort and performance (Viteles, 1953). This presumption is rooted, it seems, in the ability that money gives the possessor to "satiate" his or her needs, and more significantly, in the implications for behavior that such ability or the desire for it has (Lawler, 1971, 1973; Vroom, 1982).
The Centrality of People to Organizational Performance

Organizations are primarily people. It is through people that organizations go about doing what they do and seek to accomplish their goals and objectives. Consequently, effective and efficient operations in organizations cannot come about without effective and efficient workers. Therefore, organizations have to attract people to join their ranks and once there, to perform needed tasks dependably, and with some form of creativity, spontaneity, and innovativeness when appropriate (Katz, 1964; Katz & Kahn, 1966). Given that workers have the requisite ability, however that may be defined, motivation, it is thought, would be the difference between good performers and poor performers. Latham and Wexley (1982) put it thus:

To the extent that a person has both the knowledge and skill to do the job, but is doing it in an unsatisfactory manner, the problem may be one of motivation (p. 5).

Organizational Interest in Pay

In light of the centrality of employees to the attainment of organizational goals (Scott, et al., 1986) and the perceived motivational potency of money on people, it is
hardly surprising that organizations will, and do have, a keen interest in research on how to motivate people, and the place of pay in such an endeavor. After all, payroll disbursements account for a sizable portion of expenses incurred by organizations. According to Blough (1958):

If you took all of the products that are made in America, put them in one huge pile, and added up the price tags on the lot, upwards of three-quarters of this total value would represent the employment costs that were incurred all along the line of production. The remaining quarter or less would cover not only the basic cost of all the raw materials, but would also pay for the rental of property, the interest on debt, and the dividends that pay for use of all of the tools of production that were employed in the manufacturing of these products (p. 7).

With such a large proportion of organizational expenditure going into personnel, it is hardly surprising therefore, that management tries to maximize their human resource potential. In pursuance of this interest, management often turns to organization behavior experts for their insights on human motivation. This makes the examination of these insights necessary for our purposes.
Perspectives on Motivation in Organizations

Getting people to put forth their best effort and perform at or near the highest levels attainable; to perform at a level commensurate with what they are getting in return, (McClelland, 1974, in Siegel ed., 1974, p.492.) or even surpass it, has been seen generally to be the common predilection of those in positions of oversight. This is not always accomplished. Sometimes, circumstances do not always cooperate to make it possible. Sometimes too, when it is accomplished, it is done in ways that are not humane. For instance, with coercion and legitimized ruthlessness, it is more often than not accomplished with slaves and others in varying positions of bondage. This kind of behavior, based on compulsion, is to be distinguished from behavior that is "chosen by organisms among different voluntary responses" (Vroom, 1962, p. 9); i.e., from motivated behavior. Understanding motivated behavior is concerned with "how behavior gets started, is energized, is sustained, is directed, is stopped, and what kind of subjective reaction is present in the organism while all this is going on" (Jones, 1955, p. vii). These conceptualizations of the term assume,
it seems, the presence of, among other things, aptitude, ability (skill), technical or otherwise. For this reason, the definition of motivation offered by Campbell and Pritchard (1976) is more insightful. According to them,

... motivation has to do with a set of independent/dependent variable relationships that explain the direction, amplitude, and persistence of an individual's behavior, holding constant the effects of aptitude, skill, and understanding of the task, and the constraints operating in the environment.

Over the years, scholarly attention to the subject has yielded various perspectives and approaches to understanding it, explaining it, and sustaining it. These perspectives and approaches can be divided into "Content Theories" and "Process Theories" (Campbell et al., 1974, pp.85-95). Content theories "attempt to specify the content of what energizes people, the specific things which motivate them" (Tausky & Parke, 1976). They include motives, drives, needs for, for example, security, recognition, achievement and challenge. Process theories on the other hand, "attempt to explain and describe how behavior is maintained, altered, or stopped; giving attention to (such as) pay, promotion,
prestige and peer group pressure" (Ibid., p. 534). I shall treat "Instinct theory" and "Need theories" as Content theories, and "Equity theory" and "Expectancy theory" as Process theories.

**Instinct Theory**

For a long time, "much of human and animal behavior (was thought) to be determined by instincts" (Lawler 1973, p. 12). Although, Charles Darwin was the earliest proponent of this view, the eminent psychologists, William James, and Sigmund Freud were associated with it. So was McDougall (1908), who defined instinct as an inherited or innate psycho-physical disposition that determines the possessor to perceive and pay attention to objects of a certain class, to experience an emotional excitement of a particular quality on perceiving such an object, and to act in regard to it in a particular manner, or at least to experience an impulse to such action (p. 39).

and went as far as to assert that,

instinctive impulses determine the ends of all activities and supply the driving power by which all mental activities are sustained . . . that without them the human organism would become incapable of
activity of any kind, it would be inert and motionless like a wonderful clockwork whose mainspring had been removed or a steam engine whose fires had been drawn (p.44, in Viteles 1953, p.67).

McDougall was not alone in seeing instincts as the primordial fountains from which all motives spring up and fan out, and which, when obstructed or denied expression by, for instance, monotonous work, injustice, etc., as is the case sometimes in organizations, results in stereotypical reactions which in organizations manifest as revolts, strikes, restriction of output etc., and in the individuals, in the form of mental ill-health which cannot be done away with by the use of pecuniary rewards. According to the economist Parker (1920, p.133), Man

is born into this world accompanied by a rich psychical disposition which furnishes him ready-made all his motives for conduct, all his desires, economic or wasteful, moral or depraved, crass or aesthetic (p. 133).

Its popularity and apparent intelligibility notwithstanding, instinct theory, under scrutiny, proved unable to adequately explain a host of behaviors. As a
result, it came to be seen by experts as representing an
oversimplification of the nature of human motivation "in
industry and in other aspects of life" (Viteles, 1953, p.
69). Besides, it did "not make scientifically testable predic-
tions of what outcomes people will seek" (Lawler, 1973, p.
12). Furthermore, as the number of its proponents grew, so
did the number of admissible instincts which became
numerically unwieldy for any scientific analysis and
consequently, together with its unsatisfactory explanatory
power, precipitated the demise of the doctrine.

In the meantime, around the turn of the century, a
somewhat atheoretical approach to the motivation of workers
was increasingly becoming a staple of management's
consciousness. It was termed Scientific Management and was
characterized by a not-so-sanguine view of the nature of
human beings.

Scientific Management

This view is underscored in the beliefs underlying
its principles as enunciated by its pioneer, Frederick Taylor
(1911). The principles rest on the theoretical assertion that
man is, among other things, lazy, unmotivated, mercenary,
lacking in initiative, and therefore needs constant prodding, supervision, and control. More importantly, for Taylor, man was an "homo economicus", a being motivated largely, if not totally, by economic considerations. This idea was consistent with the zeitgeist of his era. Brown (1954) bluntly expressed it thus: Man is

a rational creature who uses his reason primarily to calculate how much satisfaction he may obtain from the smallest amount of effort, or when necessary, how much discomfort he can avoid. "Satisfaction" does not mean pride in one's job, the feeling of having accomplished something or even the regard of others; it refers only to money. Similarly, "discomfort" refers, not to failing in one's task, or losing the respect of one's comrades, but solely to the fear of starvation (p. 16).

Taylor (1911) reported an increase of several hundred per cent in the productivity of a "thrifty Dutchman" named Schmidt who was shoveling pig iron, when he (Taylor), changed the system of payment from the fixed-wage type to a piece-rate plan that paid according to the rate worked. Taylor was guided by the belief that Schmidt's way of doing
his work was inefficient and that it could be made efficient. To do this, he developed a series of rather precise operations that Schmidt was to follow in doing his work. These detailed steps included how he (Schmidt) was to walk, lift, put the iron down, as well as when he rested and so on (Vroom, 1982). The result was that, "at the end of the day, Schmidt had loaded 47\(\frac{1}{2}\) tons of pig iron and continued to load this amount for the three years he was under observation (Ibid., p. 139). Prior to this, production averaged 12\(\frac{1}{2}\) tons a day. This appeared to validate Taylor's assumption that there is "one best way" of doing the work; an assumption which constituted the main ingredient of what came to be called Scientific management and resulted in the development of time and motion studies. The different forms of wage-incentive programs subsequently adopted by industry attests to the credibility accorded to scientific management. They worked quite well for a time. Efficiency was realized as more and more jobs became routinized and specialized. According to Viteles (1953),

... reports from industry and surveys by government bureaus generally attest to the effectiveness of wage-incentive plans
in increasing productivity and achieving other objectives. A government survey of 514 wage-incentive plans in the United States, reported in 1945, showed that, under such plans, production increases averaged 38.99 percent; unit labor costs were decreased on the average by 11.58 percent, and average take-home pay was upped 17.56 percent (p. 27).

The aftermath of Scientific management spurred a great deal of scholarly interest in motivation and productivity in the workplace, and led to insights that broadened our perspective on the subject. It is necessary to understand what these aftermaths are to appreciate the developments that followed, hence, a brief discussion of the research on the implementation of Scientific management is in order. This research has shown that, in most of those cases of success, the installation of wage-incentive programs was accompanied by other changes in the workplace (Lawler, 1971, 1973; Viteles, 1953). As a result, it is difficult to estimate the actual effect of wage-incentive programs in and of themselves (Lawler 1971, 1973; Viteles, 1953). Be it as it may, as time went on, managers, in their zeal to get more and more out of workers continually increased production targets.
As a result, workers increasingly did more but were not paid commensurably. The resulting frustrations manifested in worker restriction of output, unionism, and a battery of other devices employed by workers to ensure the security of their jobs (Steers & Porter, 1979, p.16). The continual raising of production targets or quotas in a tenacious attempt to utilize the full potential of workers is reinforced by such trite remarks echoed by Strong (1934, pp.501-515) that "few, if any, employees are working up to their capacity," and Gellerman (1974) that "most people function far below their capacity" (in Siegel, 1974, p.487). Workers would typically resort to "shirking", a term credited to Alchian and Demsetz (1972, in Murnane and Cohen, 1985, p.4). As Murnane and Cohen put it, "If there are no adverse consequences, workers prefer to work less hard than the organization would like" (Ibid., p.5). Taylor himself (1916) observed that:

By far the most important fact which faces the industries of our country, the industries, in fact, of the civilized is that not only the average worker, but nineteen out of twenty workmen throughout the civilized world firmly believe that it is for their best interests to go slow
instead of to go fast. They firmly believe that it is for their interest to give as little work in return for the money that they get as is practical (in Shafritz and Whitbeck eds., 1978, p.9).

Counterproductive worker reactions such as the ones described above is not a portrayal of a potential scenario. It is a reality that is amply documented in the literature (Opinion Research Corporation, 1945, 1946, 1951; Brown, 1945; Mathewson, 1931; Veblen, 1921; McGregor, 1950; and Vities, 1953). Hard (1943) described the typical industrial scenario as follows:

Management sends a time-study man to observe a man at a machine. This lofty character has a watch which divides a minute not merely into 60 parts but into a hundred. With its help, he decides the exact length of time required for a certain operation. "So the worker gets to work. He "speeds up." He beats the time-study man's time. He climbs, let's say, to $1.50 an hour. Then management cuts the number of cents per operation till the worker is earning no more going fast than he used to earn going slow. This has happened to a million workers in American industry. To my knowledge, it has happened repeatedly ever since the war began. It makes workers wary. It makes them hold back. It causes great masses of them habitually to work below their productive power. Here is the greatest
single loss of human energy in American life (pp. 11-15).

One unmistakable lesson from the industrial application of scientific management with its emphasis on wage incentives, and the plethora of unintended consequences that it bred (fear of ostracism if one became a rate buster - by producing beyond group norms, prudent restriction of output as a result, etc.) was not that workers didn't value fatter paychecks.

Neither does [it] . . . . represent proof that the employee is not motivated by the desire for more money to be used in satisfying basic material needs and in raising his standard of living (Viteles 1953, p. 59).

Rather, it is that, they have other needs in need of gratification; needs that either cannot be taken care of by monetary rewards, or are "thwarted in the formulation and administration of the plan" (Ibid., p.59).

This state of affairs forced attention to the exploration of alternative ways of improving production while maintaining a healthy work atmosphere. Instinct theory could not explain these social influences at work. Neither could
Scientific Management. Emerging research began to point to the existence of certain needs in people that may account for the behaviors observed at work; needs that "do not seem to be directly related to ... organism survival, or species survival" (Lawler, 1973, p. 16) in any discernible way. Recognition and examination of these needs constitute the foundation of the contemporary approaches to understanding human motivation in terms of needs.

The Dawn of the Human Relations School

The sustained effort of researchers in this direction resulted in the discovery of the impact of social relationships in the work setting on the motivation of employees. This discovery marked the beginning of the "human relations" school. It has to be stressed that, this school of thought did not jettison the economic assumptions that was the bastion of the scientific management school. Rather, it pointed out the need to view motivation as an outcome not merely determined by economic calculus, but also by social variables that interactively affect the worker. In short, they argued "that it was necessary to consider the "whole
person" on the job" (Steers and Porter, 1979, p.18). As Charles Perrow (1973) summarized it,

...the Human Relations school emphasizes people rather than machines, accommodations rather than machine-like precision. It has emphasized such things as: delegation of authority, employee autonomy, trust and openness, concerns with the "whole person", and interpersonal dynamics (in Shafritz and Whitbeck eds., 1978, p.314).

Organizations must create conditions and opportunities at work which facilitate the gratification of employees' various needs.

It was the famous Hawthorne experiments at the Western Electric Company plant in Hawthorne (Roethlisberger & Dickson, 1939) which catapulted the human relations movement from the realm of speculation to that of respectable theoretical and empirical inquiry. As William G. Scott (1961) put it, "the inspiration of the neoclassical (the Human Relations school) were the Hawthorne studies (Ibid., p.277). The experiments were a series of studies conducted over a number of years to find out the effect(s) on output of workers, of changes in the physical environment of their work. The results did not lead to anything that would suggest that
manipulating the physical environment of work could appreciably affect employee output. Rather, and quite unpredictably, they pointed to other factors in the work setting as having greater effect on productivity. The great new and unexpected understanding as Roethlisberger and Dickson (1939) described it, was that, the sentiments and attitudes of employees as members of informal organizations with their own norms, values, and orientations were far more important determinants of output than was heretofore thought. Because "each worker's level of output reflected his position in the informal organization of the group" (Roethlisberger, 1941, in Walter E. Natemeyer ed., 1978, p.10) individual outputs under a group piecework incentive system did not correspond to individual abilities and capacities as previously determined through strict psychological tests. The rule of the game, as it were, required that one avoid being a "rate buster" (turning out too much work), or a chiseler (turning out too little work), or a squealer (saying anything to the supervisor which would be to the detriment of any member of the group).
Whether or not a person is going to give his services wholeheartedly to a group depends, in good part, on the way he feels about his job, his fellow workers, and supervisors -- the meaning for him of what is happening about him...the worker is not an isolated, atomic individual; he is a member of a group, or of groups. Within each of these groups the individuals have feelings and sentiments toward each other, which bind them together in collaborative effort. Moreover, these collective sentiments can, and do become attached to every item and object in the industrial environment -- even to output (Ibid., pp. 6, 10).

Furthermore, they emphasize that, all the evidence of the Western Electric researches indicate that money is not all the worker wants. As they put it,

Some people claim, for example, that the size of the pay envelope is the major demand which the employee is making of his job. All the worker wants is to be told what to do and to get paid for doing it ... this is far from being as generally true as we would like to believe. Most of us want the satisfaction that comes from being accepted and recognized as people of worth by our friends and work associates. Money is only a small part of this social recognition (in Natemeyer).

The all too familiar disputes between management and workers, usually over worker demands for better wages, better physical
conditions, as well as hours of work may, in fact, be disguises for deeper concerns which have very little per se to do with wages and physical working conditions.

Building on this understanding, Barnard (1939) called attention to the importance of informal interactions in organizations. He called the aggregate of these informal interactions and personal contacts, and the groupings which often develop around them, the informal organization. As cooperative systems, organizations must, to some extent, satisfy the needs and desires of all the participants involved. Informal organizations play a significant role in this process of cooperative exchange of resources between the employee and the employer. They influence members' perceptions, thoughts, attitudes, emotions, understandings, customs, and habits; and these in turn influence the activities of the organization (Gortner, Mahler, & Nicholson, 1994). Tacit recognition of their existence or presence is often acknowledged through such expressions as "invisible government", "learning the organization ropes", "you cannot understand an organization or how it works from its organization chart, its charter, rules and regulations, nor
from looking at or even watching its personnel" (Barnard, 1938). Recognizing these informal currents and dealing with them appropriately can positively influence the effectiveness and efficiency of an organization. Conversely, neglecting them or dealing with them inappropriately can undermine an organization's effectiveness.

**Emerging Outlines of a Comprehensive Need Theory**

Need theories surfaced partially as a response to the shortcomings of instinct theory and scientific management and represent efforts to understand scientifically, the issues raised by the human relations movement. Although it is not a need theory per se, Drive theory has much in common with contemporary Need theories. For this reason, it could be considered their distant precursor.

There are several others. The common strand amidst the variations in these theories is that individuals have needs that range from the lower-order physiological imperatives for survival and existence, such as food and water, to the self-actualization need. In the middle of the continuum are the so-called higher-order social and esteem
"necessities" that we have to have for sustenance and fulfilling existence. These needs demand attention and the individual is hypothesized to respond in a way that will bring about the satiation of the needs. As Salancik and Pfeffer (1977) put it in their critique of Need theory,

Implicit in the idea that a person is motivated to satisfy his needs is that needs serve as inevitable determinants of action ... (pp. 427-456).

In pursuance of this imperative, the individual is led toward certain activities and away from others. In other words, the individual is motivated to act one way or another; to exhibit certain behaviors in favor of others. However, it has been suggested that most people here in the United States have their basic needs met, and so, gratification of the lower (physiological) needs does not constitute an impetus for extra effort. Therefore, motivating people here requires something else. It requires that organizations use the resources at their disposal to somehow make a connection with employees' other needs. Targeting these other, higher needs on the hierarchy of needs would be potentially more rewarding for both the employee and the employer. But, how do you do that?
Answers have poured forth from behaviorists. Their solutions call for a variety of interventions that affect people, their jobs, and the environments (physical and social) in which they perform their tasks. They back up their claims with a profusion of supporting evidence.

Experts are not unanimous on the workability of these intervention strategies. Some contend, with a little more than a token recognition for the value of "interesting job," that more money in the form of increases in pay or reward for doing a good job is what is needed to motivate employees to higher planes of performance. These too, back up their claim with a profusion of supporting evidence. In the following pages, I shall examine the theoretical underpinnings of these claims, beginning with Drive theory.

**Drive Theory**

Drive theory was a significant improvement towards the development of a testable theory of motivation. A theory constructed on the assumption that drives exist could:

state in advance not only what objects will be sought, but also how vigorously they will be sought. Presumably, objects
which satisfy drives are rewarding and can serve as reinforcers of behavior (Lawler, 1971, p. 83).

Instinct theory lacked this important element. Although R. S. Woodworth introduced the concept of "drive" in 1918 and used it to characterize that element which "induces people to behave in particular ways" (Lawler, 1973, p. 14), fuller understanding and appreciation of the possibility of the existence of drives began with the work of C.L. Hull (1943). This followed the introduction by Cannon (1939), of the concept of "homeostasis,"

to describe a state of disequilibrium within an organism which existed whenever internal conditions deviated from their normal state. Whenever such disequilibrium occurred (as when an organism felt hunger), the organism was motivated by internal drives to reduce the disequilibrium and to return to its normal state. Inherent in Cannon's notion was the idea that organisms exist in a dynamic environment and that the determining motives for behavior constantly change depending upon where the disequilibrium exists within the system. Thus, certain drives, or motives, may move to the forefront and then, once satisfied, retreat while other drives become paramount.

In 1943, Hull postulated that all behavior is
motivated by either primary drives which are biologically based and representing states of homeostatic imbalance or, by secondary drives which are associated with primary drives. Major primary drives include the needs for food, water, air, rest, sleep, activity, sexual intercourse, etc., as well as the need to defecate, avoid pain, micturate, and care of the young (Hull, 1943, pp.50-60). Organisms are impelled, as it were, to restore internal order by systemic impulses which goad them toward certain actions in response to these impulses. This organismic tendency towards the restoration of constancy in the internal environment, results in behavioral responses that have two components, namely: - a striving for goals, and the intensity with which those goals are pursued. This is represented by the following equation.

\[
\text{Effort} = \text{Drive} \times \text{Habit}
\]

The level or degree of effort made by the organism to satisfy a need is a multiplicative function of the degree of drive present in the organism and "previous response patterns" or habit (which determines level of intensity). That is, habit here refers to "the strength of the relationship between past stimulus and response," which, when it leads to a change of
behavior, indicates that learning has taken place. Past responses which had positive consequences were likely to be repeated, while those which led to negative results were likely to be avoided. Thorndike (1911) expressed this phenomenon which he called the "Law of Effect" thus:

Of several responses made to the same situation, those which are accompanied or closely followed by satisfaction to the animal will, other things being equal, be more firmly connected with the situation, so that when it recurs, they will be more likely to occur; those which are accompanied or closely followed by discomfort to the animal will, other things being equal, have their connections with that situation weakened, so that when it recurs, they will be less likely to occur. The greater the satisfaction or discomfort, the greater is the strengthening or weakening of the bond (p. 244).

Its influence is easily discernible in Hull's theory. The application of learning - from the organism's repertoire of past stimulus - response experience, combines multiplicatively with the amount of drive to determine how much effort the organism would exert to achieve desired ends. The theory (Drive theory) has one notable deficiency. Because it emphasized previous experience, it has been seen as
oriented toward the past. It had no way to account for novel situations such as a change in the size of rewards with which the organism has no "response experience". Such changes, according to the theory could only influence behavior gradually because they had to change existing habit strength built upon prior connections between a stimulus and a response (Lawler, 1971, p. 86). Lawler cites the works of Crespi (1942, 1944) and Zeaman (1949) as clearly showing that changes in the size of reinforcement with which the organism has no prior experience can influence responses, and abruptly too. These studies showed that when rats trained to run to a large reward were given a smaller reward they showed abrupt changes in the speed of running. Rats trained to run to small rewards showed equally abrupt increases in running speed when a larger reward was given (p. Lawler 1971, p.86).

This led Lawler to observe that:

These results did not support Hull's prediction of a gradual building of habit strength; they suggested that shifts in size of pay reward might in fact have an immediate effect on behavior (Ibid., p. 86).
Thus, empirical evidence did not bear out Hull's claims that "behavior was wholly a function of antecedent conditions (such as past experiences)". In response to this finding, Hull modified his equation by including another element: incentive. Thus,

\[ \text{Effort} = \text{Drive} \times \text{Habit} \times \text{Incentive} \]

This introduction of the incentive factor made Drive theory less deterministic and more contingency-based. It also diminished the main difference between Drive theory and Expectancy theory which we will discuss later in this review.

Lawler explains this difference thus:

For a considerable time the approaches were easily differentiated by the fact that one was very forward-looking and concerned with anticipated goals, while the other was not (Ibid., p. 87).

Secondary drives have to do with drives that are associated with the satiation of primary, biologically-based drives.

**Money as a Secondary Reinforcer**

Thus, because it is frequently associated with the gratification of primary drives such as hunger in an instrumental fashion, money represents a secondary "drive"
(Lawler, 1973). In other words, money is a mere conduit to the satisfaction of primary drives; biologically triggered drives. It could be a specific secondary reinforcer or a generalized secondary reinforcer. As a specific secondary reinforcer, money will reinforce behavior when a particular deprivation for which it has in the past played a role in reducing is present. As a generalized secondary reinforcer, money will reinforce behavior when any one of a number of deprivations for which it has in the past played a role in reducing, is present. Citing Opshal and Dunnette (1966), Holland and Skinner, 1961; Kelleher and Gollub, 1962; and Skinner, 1953; Lawler (1971) points out that:

one widely held hypothesis is that money acts as a generalized secondary reinforcer because of its repeated pairing with a number of primary reinforcers (p. 18).

The motivational/behavioral implications of this difference are instructive. As a specific secondary reinforcer, money will be of little utility as a motivator because "it will function as a reinforcer only when a certain kind of deprivation exists" (Ibid., p. 18). However, as a generalized
secondary reinforcer, its utility as a motivator is wide-rang-
ing and potentially powerful. This is because some deprivation will usually exist for which the conditioned reinforc-
er is appropriate...This might mean that deprivation of food, water, or even social relations and esteem could lead to money being a reinforcer if it had been associated with the appropriate primary reinforcers earlier (Ibid., p. 18).

The more obvious implication of Drive theory is that money will be sought or not sought to the degree that any number of these primary drives are absent, present, satisfied, or reduced. This is not necessarily true. Lawler (1971) observes that:

certainly, it would be unreasonable to argue that objects gain value for human beings only by association with primary drives . . . there is ample evidence that people seek objects and do things that are in no way related to the satisfaction of primary needs (p.24).

Vroom (1982, p. 38) and Lawler (1971, p. 24) cite studies (Harlow, 1953; White, 1959; Butler, 1953; Butler & Harlow, 1957; Harlow, Harlow, & Meyer, 1950) in which animals purposely engaged in a variety of tasks such as learning
mazes, exploring novel environments, and solving mechanical problems when obviously, the satiation of any primary need was not a goal. When applied to people, the above finding would seem to suggest that people have reasons to work beyond those associated with the receiving of a pay check with which to take care of their primary needs. This ties in quite well with Maslow's observation "that people will work to obtain outcomes that are intrinsic such as feelings of growth" (in Lawler, 1973, p. 24).

**Money as an Acquired Drive**

Some researchers have gone beyond this - money as a secondary reinforcer - to claim that, over time, money may acquire a drive status by being contiguously associated with primary drives. That is, it can become a drive in and of itself, "independent of the deprivation or drive upon which it was originally based" (Lawler, 1971, p. 18). Thus, people may seek money in and of itself "even if all their other drives are satiated" (Lawler, 1971, p. 16). Lawler cites the works of Dashiell (1928), Calvin, Bicknell, and Sperling (1953) as proof for the adherents to this view, of the exis-
tence of this phenomenon which Anderson (1941a, 1941b) called "externalization of drive". (Ibid., p. 16). This would mean that,

because money is often associated with the presence and reduction of such basic drives as hunger and thirst, over an extended period of time, it takes on drive properties. That is, people seek it even though they are not hungry or thirsty. This theory is somewhat similar Allport's (1937) concept of functional autonomy. Allport argues that types of behavior like earning money can somehow acquire their own motive powers. Thus, these types of behavior must have become independent of the motives upon which they were based, developing, in effect, a motive of their own (Ibid., p. 16).

Conversely, money, it has been argued, can acquire drive properties because of contiguous association with the reduction of avoidance drives. Horney (1937, 1939, 1945, 1950), according to Lawler," seems to suggest that, because of its original ability to reduce anxiety, acquiring pay might later become an institutionalized (i.e., functionally autonomous) [neurotic need] (Ibid., p. 17).

The common strand in both of these perspectives is the idea that money is "essentially a neutral stimulus that
in time takes on value because of its association with other stimuli" (Ibid., p. 20). The validity of this view has not been conclusively determined. What is still tenable, however, is Hull's postulate about the existence in organisms of "certain primary drives that become stronger with deprivation and weaker with satisfaction" (Lawler 1971, 1973). Later, this view was reinforced by Maslow (1954) and Alderfer (1972). As Salancik and Pfeffer (1977) put it:

Alderfer assumed that the desire for need fulfillment diminished with the actual fulfillment. His findings are consistent with Maslow's view of needs arranged hierarchically, so that as one need becomes fulfilled, its strength diminishes while the strength of the next need up the hierarchy increases (pp. 427-456).

A major flaw in Drive theory is the implication alluded to earlier in this discussion that motivated behavior has as its invariant source the gratification of primary drives or needs. A number of theorists have noted this flaw. McClelland, who rejects the idea, calling it a misconception about money, puts it thus:

. . . that there are so-called primary material rewards, such as food and water, and that all other rewards are "second-
ary", getting their "motivating value" from learned associations with the primaries. Money obviously falls into the secondary category.

Thus, Drive theory leaves much to be desired. It does not reflect a recognition of sources of motivation other than those related to primary drives. It fails to take into adequate consideration the "whole person" as human relationists correctly pointed out that we should.

The continued effort to account for the needs of the "whole person" in order that they may be satisfied for the benefit of the individual employee and the organization yielded insights that broadened our perspectives on human motivation in organizational settings, and enhanced our understanding of the social influences on the organizational worker.

For example, (Schacter, 1959; Harlow, 1958) have postulated that people have affinity for social interaction, especially under conditions of anxiety and doubts about their self-esteem. The existence of such a motive has enormous implications for organizational life. As Lawler (1973) points out:
many organizations have discovered - to their sorrow - that jobs that do not provide opportunities for social contact have higher turnover and absenteeism rates because employees simply cannot stand the isolation. Frequently, unnecessary social isolation results from mechanical and architectural designs that do not consider employees' needs for social relationships (p. 17).

Other research (Bexton, Heron, & Scott, 1954; Butler, 1953; Scott, 1969) have called attention to the possibility that people have a need to be sufficiently active, and to explore. Scott (1969) has found that people develop a distaste for repetitive tasks; and when confronted with the possibility of doing them for a long time, "they take more breaks and try in many ways to vary their behavior" (in Lawler 1973, p. 19). Similarly, Selznick (1948) observed that "...in fact, individuals have a propensity to resist depersonalization, to spill over the boundaries of their segmentary roles, to participate as wholes" (in Shafritz and Whitbeck eds., 1978, p.86).

Another need is that advanced by White (1959): that people have a motivation to be competent (competence motive). The existence of a competence motive would imply "that. . . ."
if presented with the right task, people can be motivated to perform effectively without the use of extrinsic rewards such as pay and promotion" (Lawler, 1973; p. 23).

The need for competence is conceptually analogous to the need for achievement most popularly associated with McClelland (1951, 1961) who defined the concept as "the need to optimize one's performance and to attain a standard of excellence in any endeavor" (in Siegel 1974, p.491).

Individuals who join organizations are on different points on a continuum of needs; i.e., needs that we have as living organisms and which we are constantly striving to satisfy. These include the well-known and widely accepted needs such as those enunciated by Maslow (1943), Murray (1938), and Alderfer (1972) as well as the need for achievement expressed notationally as n Ach. This can be high (high n Ach) or low (low n Ach). In seeking to motivate workers to elevate their performance level, their motivational characteristics as well as the motivational characteristics of the jobs they do have to be taken into consideration. The purpose is to ensure a match between people and jobs. According to McClelland (1974), research evi-
dence indicates that, while

people with relatively low achievement motivation will work harder for increased financial rewards, . . . offering additional financial rewards for doing a task does not make strongly achievement-oriented people work harder or better (p. 493 of Siegel, 1974).

Together, these "Need theorists" of motivation "argue that human needs represent the primary driving force behind employee behavior in organizational settings" (Steers and Porter, 1979; p.31). They, and numerous others have simply indicated the possibility of the existence of these and other needs too numerous to mention here. They have not constructed theories in the sense of attempting to develop a comprehensive account of motivated behavior. But, some have. The three of these which have received the most attention in the literature will be considered.

The first of these to be considered is Murray's (1938) "Manifest Needs Theory". In his classic Explorations in Personality, Murray argued that individuals could be classified according to the strengths of various personality -
need variables...as being composed of many divergent, and often conflicting, needs which had the potential of motivating human behavior (Steers & Porter 1979, p. 35). The list includes the need for achievement, affiliation, power, autonomy, nurturance, deference, order, succorance, and even aggression etc.. These needs may be manifest (presently influencing an individual’s behavior) or latent, coming to the fore when conditions necessary for their activation are present. Of all the needs enunciated by Murray, the need for achievement has received the most attention from researchers. One may possess the need for achievement for instance, but not manifest it because of impediments in the environment, say for example, lack for a challenging task.

The result would theoretically be poor performance. If sufficient arousal of the need were attained (by providing a challenging job, we would expect the resulting drive to energize achievement-oriented behavior (Steers & Porter, p.35).

But, pre-eminent among all of these theorists is Abraham Maslow whose theory supplied the needed explanation for why Scientific management, with its emphasis on economic considerations failed to continue to yield the desired re-
sults. He provided the theoretical pivot for a comprehensive understanding of the nature of these needs.

Hierarchy of Needs

Maslow (1943) arranged human needs (or drives we may add, in a hierarchy of relative prepotency, with physiological needs such as hunger at the base, followed by the safety needs, the love needs, the esteem needs and, at the apex, the need for self-actualization. The role each of these needs plays in motivating an organism to action depends on the extent to which the need(s) below it in the hierarchy has been satisfied. Since physiological needs are at the bottom, they have to be satisfied first before any other need surfaces. According to Maslow,

...if all the needs are unsatisfied, and the organism is then dominated by the physiological needs, all other needs may become simply non-existent or be pushed to the background (1943, in Steers and Porter 1979, p. 41).

Presumably, in the poorer parts of the world where people's physiological and safety needs are generally not sufficiently satisfied; where people spend all or almost all of the fruits
of their labor towards the amelioration of these needs, money would be expected to be a high motivator of behavior. This is because, it represents the means for the satiation of these most basic needs. For these people, the prospect of a bigger pay would be quite attractive because of the enhanced ability it gives them to win the battle of life or death that limited means has thrown them into. According to Maslow,

... it is quite true that man lives by bread alone - when there is no bread. But what happens to man's desires when there is plenty of bread and when his belly is chronically filled? At once other (and "higher") needs emerge and these, rather than physiological hungers, dominate the organism. And when these in turn are satisfied, again new (and still "higher") needs emerge and so on (in Steers & Porter 1979, p.42).

This would appear to be the case in the more economically secure parts of the world, such as the United States of America, where these needs are relatively satisfied. Here, money or the prospect of a bigger pay check would not be a high motivator of behavior since the lower order needs for which money is needed to satisfy are, for most people, already satisfied. Again, Maslow says that,
The physiological needs, along with their partial goals, when chronically gratified cease to exist as active determinants of behavior. . . But a want that is satisfied is no longer a want (Steers & Porter, p. 42).

As Lawler put it:

Once the lower order needs are satisfied, they cease to be important and the higher order needs are activated. Since many people saw pay as satisfying only the lower order needs, they argued that it is important only when these needs are not satisfied. Carrying this line of reasoning further, they argued that since most lower order needs are satisfied in our society, it is hardly surprising that pay is not important to employees (1971, p. 8).

It is important to note that,

. . . Maslow is careful to say that all motivation is not tied to the primary drives. Maslow also stresses that people will work to obtain outcomes that are intrinsic such as feelings of growth. He completely rejects the view that valued outcomes have to be related to such extrinsic rewards as food and water (Lawler, 1973, p. 24).

In response to a few minor shortcomings of Maslow's theory,
Clayton Alderfer (1972) proposed a need theory termed ERG theory or (Existence-Relatedness-Growth) theory. It essentially collapses Maslow's five hierarchical levels into three. These are: (1) Existence needs, which simply refer to Maslow's physiological and safety needs; (2) Relatedness needs, which cover Maslow's love needs and belongingness needs; and (3) Growth needs, which refer to self-esteem and self-actualization needs.

However, for our purposes, the question remains that: Does pay have instrumentality for these higher-order needs which will surface and demand the attention of individuals; as it does for the lower-order ones? This is an important issue in the consideration of pay as a source of motivation. As Lawler puts it,

If pay is not typically seen as instrumental for satisfying some higher-order needs... then pay will not be valued beyond a minimum amount. Specifying the perceived instrumentality of pay can also give administrators some clues about how pay practices can affect the instrumentality of pay and thus its importance (1971, p. 29).

The implication of this observation by Lawler is very significant. If pay can satisfy higher-order needs, then
pay, would have a more enduring potency as a motivator than if it had utility only for the satisfaction of lower-order needs. This is because, by Maslow’s reasoning, the epigram “a satisfied need is no longer a motivator” does not apply to higher-order needs. That is, gratification does not diminish the presence of higher-order needs as it does for lower-order ones like hunger and thirst. People simply want more and more of the higher-order “needs.” Stated differently, pay cannot reach a point of irrelevance for the satisfaction of higher-order needs; since, unlike the lower-order needs which cease to be motivators once they are satisfied, higher-order needs cannot be exhaustively satisfied. But, does pay satisfy higher-order needs?

Examination of this issue in the literature has been in the form of looking at correlations between (1) actual pay rates and the satisfaction of a variety of needs; (2) importance of various needs and the importance of pay; and (3) satisfaction of other needs and pay satisfaction (Ibid., p. 29). Following a review of a number of studies viz., (Lawler & Porter, 1963; D.C. Miller, 1941; Hall & Nougaim, 1968; Porter, 1961; Thompson, 1939) on pay rates and
satisfaction; (Alderfer, 1966, 1969) on the correlation between the importance of various needs and the importance of pay; and (Morse, 1953; Baehr, 1954) on the correlation between the satisfaction of various needs and satisfaction with pay, Lawler (1971) concluded that pay can be instrumental for the satisfaction of most needs but that it is most likely to be seen as instrumental for satisfying esteem and physiological needs, secondarily to be seen as instrumental for satisfying autonomy and security needs, and least likely to be seen as instrumental for satisfying social and self-actualization needs (p. 34).

Elsewhere, he states:

As has clearly been stated, pay is an outcome that can be used to obtain a number of other outcomes. Money, typically, can be used to obtain outcomes relevant to the satisfaction of most of the needs listed by Maslow. Money can buy food, security, social relations, and esteem, and to some extent, it can satisfy self-actualization needs (Ibid., p. 26).

Building on the work of Maslow A Theory of Human Motivation, Douglas McGregor (1957), in The Human Side of
Enterprise, echoed the same observation made earlier by Roethlisberger and Dickson (1939) that: the all too familiar disputes between management and workers, usually over worker demands for better wages, better physical conditions, as well as hours of work may, in fact, be disguises for deeper concerns which have very little per se to do with wages and physical working conditions. According to McGregor, this is why managers have frequently failed in their endeavor to motivate employees. They seek to satisfy many of workers' higher order needs with money, sometimes in response to workers' own insistent demands for more pay, when in fact, money has limited utility as a means for the satisfaction of these needs (McGregor, 1957). The satisfaction of these higher order needs and the resulting motivational benefits for the organization will be realized with a kind of management predicated upon what he called Theory Y. He states:

The man whose lower-level needs are satisfied is not motivated to satisfy those needs any longer. For practical purposes they exist no longer. Management often asks, "why aren't people more productive? we pay good wages, provide good working conditions, have excellent fringe benefits and steady employment. Yet people do not seem to be willing to put forth more than minimum effort". The fact that management has provided for these
physiological and safety needs has shifted the motivational emphasis to the social and perhaps to the egoistic needs. Unless there are opportunities at work to satisfy these higher level needs, people will be deprived; and their behavior will reflect this deprivation. ...people will make insistent demands for more money under these conditions. It becomes more important than ever to buy the material goods and services which can provide limited satisfaction of the thwarted needs. Although money has limited value in satisfying many higher level needs, it can become the focus of interest if it is the only means available."(1957, in Walter E. Natemeyer, 1978, pp. 15-16).

While not using the familiar hierarchy of needs a la Maslow (1943) and McGregor (1957), Chris Argyris (1957) reiterates the importance of satisfying the developmental needs of individuals within an organization. Traditional formal organizational structures constructed around such well known principles as task (work) specialization, chain of command, unity of direction, and span of control (Taylor, 1911; Urwick, 1944; Gulick, 1937; Fayol, 1949; Mooney 1930) with their matter-of-course emphasis on control, strip employees of the independence they need as healthy, mature personalities and stifle their individual growth and development. Specifically, they "inhibit four of the growth trends of the personality, because, to be passive, subordi-
nate, and to have little control and a short time perspective exemplify in adults the dimensions of immaturity, not adulthood" (Argyris, 1957, in Walter E. Natemeyer, 1978, p. 259). Argyris criticizes the "rabble hypothesis" solution of seeking to motivate the subordinates to have more initiative and to be more creative by placing them in competition with one another for the positions of power that lie above them in the organizational ladder, . . . on the grounds that competitive situations tend to lead to an increase in tension and conflict and a decrease in human effectiveness (Ibid., p. 260).

More germane to our purposes is the suggestion that, this deleterious "incongruence between the needs of a mature personality and of formal organizations" (Ibid., p. 262) can be taken care of by giving adequate materials to the productive employee. Argyris debunks this practice, saying that, it can lead to new difficulties, since the solution is, by its nature, not to do anything about the on-the-job situation (which is what is causing the difficulties) but to pay the individual for the dissatisfaction he experiences . . . (Ibid., p. 259).
These do not work, and often elicit adaptive employee behaviors (such as, coldbricking, restriction of quotas, disinterest, lack of self-involvement, and the creating of informal groups to sanction their apathy) that further inhibit organizational effectiveness. Management typically responds with more pressure-oriented leadership, control, and "pseudo participation" inducements to which employees react with further adaptive behavior and nothing is accomplished. Job enlargement and employee-centered (or democratic or participative) leadership, he contends, hold out some hope for the resolution of the basic problem, which is "the reduction in the degree of dependency, subordination, submissiveness, and so on experienced by the employee in his work situation" (Ibid., p. 264).

Argyris's conception of traditional organizational structures and management orientation is reminiscent of the managerial malady that McGregor called Theory X; and his vision of how organizations and management should be is remarkably similar to McGregor's Theory Y. McGregor (1957) contends that decentralization, delegation, job enlargement,
and participative and consultative management

are ways of freeing people from the too-
close control of the conventional organi-
zation, giving them a degree of freedom
to direct their own activities, to assume
responsibility, and, importantly, to sat-
isfy their egoistic needs (in Walter E.

This way of managing is more in line with a proper and more
sanguine characterization of human beings as not by nature
passive or resistant to organizational needs, but have become
so as a result of experience in organizations; as potentially
good, and capable of assuming responsibility and applying
themselves to organizational needs (Ibid., pp.16-17). Myers
(1968) corroborates when he said : "... people are
responsible and creative when given the opportunity" (cited
in Fein, 1976, in Dubin ed., 1976) for participation and
involvement. Deming reportedly emphasized this point when he
observed that "Given a chance by management, the vast
majority of employees will take pride in their work and
strive for improvement" (Gabor 1990, p. 19). Theory X and
Theory Y, it must be emphasized, symbolize different "
underlying beliefs about the nature of man that influence
managers to adopt one strategy rather than another " (Fein,
1976, in Dubin (ed.), 1976, p. 466). They simply are not technical prescriptions or strategies to be applied by management.

McGregor (1957) and Argyris (1957) are only two in a long line of theorists who have over the years embraced the idea of increased worker participation as a means to enable workers find fulfillment; a condition which will enable them to function optimally, and in the interest of organizational effectiveness. As Fein observes,

Participation and involvement of employees in their work are among the most frequent suggestions by behaviorists and management theorists of ways to improve human performance and organizational effectiveness (in Dubin, p. 470).

The most provocative insight on this issue came from Herzberg, Mausner, Peterson, and Capwell (1957) and Herzberg, Mausner, and Snyderman (1959). Unlike their contemporaries, they would not even acknowledge a limited role for money in worker motivation. In their two-factor formulae (the motivation-hygiene concept), they postulated that separate and distinct factors determined job satisfaction and dissatisfaction. In other words, satisfaction and dissatisfaction on
The two sets of factors are "satisfiers" or "motivators" on the one hand and "dissatisfiers" or "hygiene factors" on the other. Satisfiers are job content factors: achievement, recognition, work itself, responsibility, advancement and growth. Dissatisfiers are found in job context (environment) factors: company policy and administration, supervision, working conditions, salary, job security, status of the job, relationship with superiors, peers, and subordinates. Only the satisfiers can motivate. Dissatisfiers are hygiene or maintenance factors. "Their presence is needed to maintain a person's level of performance; more will not add to performance, but less will lower it." Frase and Hetzel (1982) report that Sergiovanni (1967) has substantiated this in public schools.

With regard to pay, Herzberg endorses neither the view of McGregor, Argyris, etc., that money plays a very limited role in the satisfaction of worker needs nor that of
others who claim that money plays more than a limited role. He insists that money is not a satisfier at all (Tausky & Parke); "that a lack of money will dissatisfy, but an increase will not motivate" (Fein 1976, in Dubin ed. 1976, p.486). Some researchers have gone even so far as to say that not only will pay in this context not motivate, but, on the contrary can demotivate. This controversy is at the heart of the extrinsic reward (motivation) versus the intrinsic reward (motivation) debate.

**Extrinsic Versus Intrinsic Motivation**

Underlying the views of Maslow (1954), McGregor (1957), Argyris (1957), Likert (1967), White (1959), McClelland (1961), and of course, Herzberg, et. al. (1957, 1959), etc. and their calls for interesting, meaningful, and fulfilling work grounded in notions of job enrichment, worker involvement and participation, is the assumption that people (workers) have an ample stock of intrinsic motivation (that motivation which comes from within) which needs to be activated and harnessed. More recently, the highly influential management theorist and consultant, the late W. Edwards
Deming refocussed attention on this concept. In line with such great forbears as Douglas McGregor, he believed that employee motivation and productivity are issues that can be dealt with through managerial and organizational initiatives that are more liberating for workers and which direct policies toward the system as a whole rather than the individual workers. According to Gabor (1990):

... Deming fervently believes in the "intrinsic motivation" of mankind, and that it is management's policies that often serve to demotivate employees. Instead of helping workers develop their potential, he asserts, management often prevents them from making a meaningful contribution to the improvement of their jobs, robs them of the self-esteem they need to foster motivation, and blames them for systemic problems beyond their control (p. 13).

The desire for advancement and growth, for recognition, accomplishment, etc., constitute the main ingredients of this motivation. There is some evidence of the motivational effects of intrinsic rewards. In their study of merit pay programs in selected school districts, Cohen and Murnane (1985) reported that:

When we asked teachers what motivated
them to do good work, their answers were all consistent with what one woman in Virginia Beach told us: "Every once in a while, the light bulb goes on in a kid's head." Another likened her work to the theatre: "Children are a great audience, you can see if you are boring them to death...When I hit, it feels good, it's like acting, you are on stage, they either make you or break you." Another teacher summed up these ideas nicely when he told us, "student support is the biggest motivation. The harder they try, the harder I try (p.29).

Here, the surprising findings in the 1960s of two graduate students, Louise Brightwell Miller of the University of Kentucky, and Sam Glucksberg of New York University are worth recalling. Both were independently involved in research bordering on human motivation. Miller found that 9-year-old boys were not as likely to seek the solution to "a simple identification test when they were paid for right answers" as when they were not. Glucksberg's research involving adults in a household engineering problem yielded the same kind of result (Jay Mathews). Thus, it has been argued that externally mediated rewards such as is represented by merit pay focuses on extrinsic motivation and has the potential for diminishing or even destroying intrinsic motivation (Maccoby,
Edward Deci (1975) is most popularly associated with this view which draws somewhat from the insights of the above theorists. His experiment shares some of the elements of Miller's study. He put a number of college students to work individually on a puzzle. According to Jay Mathews:

Half were promised money; half were not. He then announced a pause before "the next phase of the study began" and watched what they did in those idle moments. Those who had been promised money spent less time playing with the puzzle than those who had not anticipated reward.

Another interesting study of this kind is that conducted by Mark Lepper with children in Headstart classrooms. These children were given Magic Markers to work with. Some were promised a certificate for using the markers; others were promised nothing. The results as described by Jay Mathews were that:

After a week, the children who were told they would get a certificate were using the markers not only less frequently than the unrewarded children, but less frequently than they themselves had used the markers before they were told of the reward.
This is the basis of what has been termed "overjustification theory". According to the proponents of this view, says Henk Thierry (1990), who offers a terse description of the main strands of the reasoning embodied in the idea, when one is doing something in which one is intrinsically motivated to do, and then a financial reward is made contingent on doing it,

... the locus of causality, according to Deci, will change. The person does not ascribe the cause of his/her behavior anymore to him or herself, but to the external source. Consequently, the level of intrinsic motivation will decrease (in Kleinbeck et al. (eds.) 1990, p. 74).

This is because the person sees his/her behavior as not resulting from his/her own "free will" but from an external source that "indicates what is and what is not wanted" (Ibid., p. 74) and thus controls his/her behavior. As a result, the behavior

... comes to seem like a chore, something you have to get through in order to pick up the dollar or the A or the extra dessert (Alfie Kohn, cited by Jay Mathews in The Washington Post, Sunday, December 5, 1993).
According to Pearce, Stevenson, & Perry (1985), Deci contends that when this happens, the result is that individuals "develop strategies that will enable them to get rewards with the least effort" (p. 262). Individual performance-contingent pay systems are unreliable; and "can easily break down, if for instance, "no one is looking" (Ibid., p. 262). This is apparently because, there may be no motivation to sustain intrinsic commitment to organizational goals. However, Schay (1988) reported a finding that the intrinsic satisfaction of workers in an R&D environment was not reduced as a result of merit pay (p. 249).

Following a review of some studies on the validity of the intrinsic/extrinsic motivation dichotomy, Thierry observed that "there is not so much support for Deci's theory...the theory as a whole has never been subject to test" (in Kleinbeck, et al. (eds.), 1990, p. 76). Thierry (Ibid., p. 76) recalls the observation made earlier by Locke and

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1 "The Overjustification theory suggests that extrinsically presented rewards become more salient than one's intrinsic interests and tend to diminish subsequent interest in the task" (Burke, Richard R. "Research on the Effects of Rewards: Implications for Annual Merit pay." Paper presented at the Annual Meeting of the Association of Teacher Educators (San Diego, CA, Feb. 13-17, 1988).
Henne (1986) that:

Not a single study provided direct evidence for the full Deci model or even substantial parts of it. Almost the entire theory is based on weak inference and indirect evidence; the claim that money - when controlling - undermines intrinsic motivation is a seriously misleading description of the studies; the theory does not distinguish intrinsic motivation - i.e., the desire for competence and self determination - from motivation based on the pleasure of the activity itself.

In conclusion, he posits that "the very distinction resides in delusion" (Ibid., p. 80), and suggests that we drop both the use of these dichotomous terms and the motivational ideas which they represent. This is because,

... motivation should be considered as affected by both personal and situational characteristics which relate interactively to one another and not as simple opposites (Ibid., p. 80).

Examination of the research on those interventions thought to release intrinsic motivation (job rotation, job enlargement, job enrichment, and worker participation) seems to provide support for Thierry's observation above: that successful employee motivation necessarily encompasses both of the so-
called intrinsic and extrinsic rewards.

Job Rotation, Job Enlargement, Job Enrichment, and Worker Participation

Job rotation as a way to resuscitate and sustain worker interest on the job, does not seem to have any real serious advocates anymore. According to Fein (1976), "behaviorists are now agreed that job rotation does not add meaning to work in the sense that they are aiming for" (in Dubin, p. 477).

They also agree that job enlargement "which added more of the same kind of work to a job" (Ibid., p. 477) is also grossly deficient. According to Fein (1976), Herzberg (1968, p. 59) debunks the idea; calling it horizontal enlargement, "the adding of nothingness to nothingness" while extoling the virtues of job enrichment, "a vertical loading of new responsibilities to the job" (Ibid., p. 477).

Although, such fate has not befallen Participation, Fein (1976) reminds us of its failures in all countries, including the United States (Ibid., p. 476). One of the problems with participation and involvement is managerial unwillingness to adopt them. In their research covering 3600 managers in
fourteen countries, Haire, Ghiselli, and Porter (1966) found that "in each country, in each group of countries, in all countries taken together ..." (Ibid., p.471), management paid only lip service to the exhortations of behaviorists that workers be encouraged to participate. While they (management) agreed in principle with the behaviorists, in actuality, their very low opinions of the capabilities of workers with respect to leadership and initiative, inclined them toward traditional, directive styles of managing.

Fein puts it succinctly thus:

The growing trend to humanize relations between workers and managers should not be mistaken for greater adoption of Theory Y participation concepts. Though managers intellectually accept participation and Theory Y concepts as preferable to Theory X, managing on the plant floor overwhelmingly follows Theory X precepts. There are no reports to show that Theory Y participation has made any inroads on the plant floor (Ibid., p.476).

Furthermore, the weight of the evidence from research indicates that workers show a lack of interest in the concept, and do not "perceive participation as a psychological need," but rather emphasize material rewards
(Ibid., p.476).

Why is it that workers have no difficulty in determining what they want in their demands to management? Why is it that humanizing the work-place is never a demand of workers at the bargaining table? Why have workers never demanded opportunities to find fulfillment at work which McGregor and Herzberg find is absolutely essential to their mental health? Are workers so infantile and bashful that they need behaviorists to frame their bargaining demands? ...Judging by what they demand and what they do not, workers have made it clear to management that they do not need fulfillment from the work itself....I cannot presume to speak for workers. But the evidence at the work-place, in the factories and offices, wherever blue collar and white collar workers work, is that workers by and large prefer material returns for their labors and skills. Most of all, they want secure pay (Ibid., p. 498).

Fein goes further to say that,

A reliable index of things which dissatisfy workers and which they want is readily seen in their demands at the bargaining table. No where are there demands for enriched work (Ibid., p.470).

Freidmann (1964) reminds us that:

The work that millions of men and women do everyday for a living neither enriches
their lives nor acts as a balancing factor. Such people can only look for true satisfaction and the means of self-realization in leisure-time activities, more particularly in the "free time" which is progressively increased as the working week is shortened. It is time spent away from work, as Marx (and Hegel before him) saw, that should constitute the "true realm of freedom for mankind" (Ibid., p. 497).

Leavitt (1964) makes a similar observation. He states that,

"... Moreover, money incentives fit with our culture's conception of what work means, with the definition of work as non-satisfying and restrictive activity given by people in exchange for means like money. The means thus allow the earner to satisfy his idiosyncratic needs off the job (Ibid., p. 487)."

There is ample recent evidence that workers really want these things. That is, opportunities for advancement and growth. In his study, Albert William Tucci (1986) reported that teachers expressed a "strong need for interesting, challenging, and meaningful work." It is important to point out here a finding by the U.S. Government's Department of Health, Education, and Welfare. The finding, based partly on data from the government's studies, was that good pay was not as important to workers as "interesting work," and that "70% of the
nation's professionals and businessmen did not believe their jobs brought out their best" (Thayer, 1984, p. 34). It should be noted that this finding is at odds with another report by the National Center for Productivity and Quality of Working Life (1978). According to Perry and Porter (1982),

...job content, and job challenge, satisfy the needs of employees relatively well. Most public employees responding to a series of attitude surveys rated the content of their jobs as good (managers – 84%; non-managers – 64%), and few disagreed with a statement that their jobs made good use of their skills and abilities (managers – 14%; non-managers – 23%) (p.91).

Whichever is the case, the important thing is that workers seem to place significant value on these job factors. As Belcher and Atchison (1976) report that:

The general conclusion from studies of rank and file employees in the United States is that job security, opportunities for advancement, interesting work, and interesting co-workers are valued highly and that financial rewards are fifth to eight in importance (in Dubin ed., 1976, pp. 574-575).

Furthermore, in spite of negative managerial tendency to actualize worker participation and involvement, there are
instances where the concept has been used successfully. A recent example is Lovrich's (1987) Washington State IPA study in which he observed that:

In the empirical evidence presented here, it is clear that workplace participation and job enrichment are more salient determinants of motivation than are compensation considerations (both at an absolute level and relative to the pay of peers and colleagues). Workplace participation, in particular, appears to be a most important foundation for employee motivation (p. 67).

Employee participation has also been found to positively influence workers' attitude towards performance appraisal systems (Daley, 1988; Perry, 1991, in Ban and Ricucci 1991, p.83).

Employee participation is a hallmark of most modern management approaches and has been linked to successful public sector performance appraisal systems (Ibid., p. 18).

These observations, and the low ranking of pay would seem to have made a good prima facie case for Participation, Job enrichment, etc. However, evidence shows
that, standing alone, its utility does not appear to have been conclusively determined and thus, any assertions about its power has to be taken with a grain of salt. This is largely because, in those instances where it has been applied successfully, its implementation has been accompanied by material rewards. Strauss and Rosentein (1970) stress this point thus:

A ... major reason for the failure of many participation schemes is their tendency to place emphasis on psychological rewards exclusively. Those plans which have elicited the most worker interest are those which gave the promise of improving the workers' material rewards. (in Fein, in Dubin, p. 475).

This observation is made even more pointedly by Rosenstein (1970) that,

. . . . there is much evidence to support the conclusion that as long as material rewards are not an integral part of a participation program, it will not be effectively implemented (in Fein, in Dubin, p. 474).

These observations do not imply that we should throw out participation, job enrichment, and all such devices that are
supposed to give workers fulfillment on the job. Rather, they suggest that workers generally prefer pay to them. Besides, there are today, many job situations where they may not be feasible, and such cases may continue to be part of the landscape for a long while yet. Where possible, they could be introduced; but with material rewards. There are no substitutes for pay. Fein (1976) emphasizes this point thus:

Work fulfillment has meaning for only a minority of workers - about 15%-20% of the worker population ... These behaviorists also greatly miscalculated the economic motive for working and the extent to which fulfillment at work will substitute for cash in the pay envelope (in Dubin, pp.500-501).

Thus far, we have examined what various theorists have said about the needs that we have and the implications their satisfaction, lack of satisfaction, or dissatisfaction have for worker behavior. More significantly, we have seen the empirical, but rather inconclusive findings regarding the role of money (pay) with respect to worker motivation. These findings include: (1) it (money) can and does motivate workers by satisfying their
needs; (2) it cannot, and does not; and (3) it can, and does, demotivate. In light of these findings, it becomes necessary to see in a more focussed review, how workers themselves feel about money (pay).

**Importance of Pay to Employees Relative to other Factors**

In Herzberg et. al's study, pay was ranked 6th by workers among factors that were important to them. Lawler (1971, 1973) disagrees with the dominant interpretation of Herzberg et al.'s findings and contends that their study, and the others "that have attempted to replicate or test it" show that pay was "a source of satisfaction when it was seen as a form of recognition or a reward" (p. 32). According to him,

In Herzberg's original study (Herzberg, Mausner, and Snyderman, 1959) the data demonstrated that pay was mentioned in two quite different contexts: (1) as a source of dissatisfaction when it was unfairly low and (2) as a source of satisfaction when it was seen as a form of recognition or a reward. Employees interviewed in this study made comments to the effect that raises can mean progress in work or a reward for good performance and that pay is often a form of recognition for a job well done. The implication of these com-
ments and of the results of this study is that pay is often seen to be instrumental to the satisfaction of the need for recognition and esteem (1971, p. 32-33).

This notwithstanding, most research findings tend to indicate otherwise. Writing in 1987, Daley points out that:

When asked to rank order potential rewards, pay has consistently finished fourth or fifth out of the eight possibilities listed. It has lagged behind such factors as the challenge of work responsibilities and the friendliness of one's co-workers (p. 77).

Furthermore, Gaertner and Gaertner (1985) cite the findings of Pearce and Perry (1982) that, pay was not a highly valued reward, ranking between third and fifth on a list of nine rewards (p. 9). More recently, Alfie Kohn (1993) observed that:

Indeed, several studies over the last few decades have found that when people are asked to guess what matters to their co-workers - or, in the case of managers to their subordinates - they assume money heads the list. But put the question directly - "what do you care about?" - and pay typically ranks only fifth or sixth (p.58).
And, Jay Mathews of *The Washington Post* reported in the December 5, 1993 issue of the newspaper that:

A 1978 survey of more than 50,000 utility company applicants found pay ranked sixth out of ten job factors. (The same applicants thought that others would put money first). A 1991 poll showed that even among allegedly money-fixated salespeople, increased compensation was the least commonly cited reason for changing jobs (col. 4).

In their study of "Program for Excellence" for public school teachers instituted by a school district "to recognize and encourage excellent teaching," Frase and Hetzel (1982) found that

the reward least valued by both recipients and nonrecipients was money. Nonrecipients in particular seemed to believe that special recognition in the form of money was contrary to professionalism (p. 268).

The Institute for Social Research (1982) found that:

As in 1980, intrinsic factors such as "accomplishing something worthwhile" and "learning that you are doing a good job," continue to be rated by GMs as more important than either pay or promotion. Still, pay is regarded as being moderately
important; thus, we must assume that merit pay has the potential for making a difference in work motivation, although there is little evidence that this has happened yet (p. 242).

It is in this light that the claim that public sector employees are typically motivated by factors different from those that motivate their private sector counterparts appears eminently insightful. Part of this claim is grounded in the observation that public and private sector organizations attract people, as in employees, who seek fulfillment for different needs. Perry and Wise (1990) argue that:

...a variety of rational, norm-based, and affective motives appear to be primarily or exclusively associated with public service. This is not to say that all public employees are driven by these needs. Public service motivation is seldom identified with individual utility maximization, but motives such as participation in the process of policy formulation, commitment to a public program because of personnel identification with it, and advocacy for special or private interests are essentially rational in nature. Public service motivation is most commonly associated with particular normative orientations - a desire to serve the
public interest, loyalty to duty and to the government as a whole, and social equity (p.369).

Perry and Porter (1982) observed that "...there is some indication that individuals entering the public sector value economic wealth to a lesser degree than do entrants to the profit sector." This indication was largely the findings of Rawls and Nelson (1975), Rawls, Ulrich, and Nelson (1975). Students who were about to enter managerial careers were the subject of these studies. According to Perry and Porter (1982), these researchers

found that students about to enter the nonprofit sector (primarily government) ... had a higher capacity for status, and valued economic wealth to a lesser degree than did entrants to the profit sector (p. 90).

Mak Khojasteh (1993) conducted an empirical research to investigate the validity of the claim that there are differences in what motivates private and public sector managers. His finding was that "pay has a significantly greater capital Motivating Potential (MP) for private sector managers than for public sector managers" (p.397). This supports the findings of (Frankel and Manners, 1980;
Cacioppe and Mock, 1984) who, according to Khojasteh, indicated that:

that private sector managers place greater value on economic rewards than public sector managers, while public sector managers are more job security oriented (p. 392).

However, it must be pointed out that this rather unenthusiastic worker attitude towards pay does not mean that the issue is settled. The various research that have tested Herzberg et. al.'s claims have neither refuted them nor provided an unqualified support. If anything, they have accentuated the controversy surrounding it. Nevertheless, the bulk of scholarly interpretation of Herzberg's work seems to suggest that merit pay obviously, would have no place in his (Herzberg's) repertoire of motivation or satisfaction determinants.

Theories and perspectives, such as those I have examined in the foregoing pages, tend to portray human beings as passively reacting to non-negotiable commands emanating from a variety of needs that demand attention. There are others which, while not denying the importance of need
fulfillment or frustration in the determination of behavior, suggest that human beings are active and conscious participants in that determination. Theorists in this camp posit that people don't just act or react rather impulsively. Their actions and reactions are best explained as the results of processes of conscious decision making. An examination of these theories follows. First Equity theory, then, Expectancy theory.

**Process Theories**

Process theories of motivation refer to expectancy theory and equity theory which, by some taxonomies, can be subsumed under the rubric of "reinforcement theory" (Tausky and Parke, 1976). Variations of equity theory include Homans'(1961) "distributive justice" or "exchange theory." Similarly, variations of expectancy theory are recognized by labels such as, instrumentality theory, path-goal theory, valence-instrumentality-expectancy theory, and expectancy-valence theory etc.

**Equity Theory**

Equity theory is a process theory of motivation. It posits that people make comparisons between their inputs to
the organization and the outcome(s) or rewards that they receive in return to determine how equitable is the exchange (Homans, 1961) between them and the organization. The result of this process may be a perception of equity or inequity. A sense of equity, and consequently satisfaction, results when one perceives no discrepancy between one's inputs and one's rewards (Vroom, 1982; Lawler, 1971, 1973). When there is discrepancy, either in one's favor or disfavor, a sense of inequity results. Vroom (1982) cites Jacques' (1961) explanation for this phenomenon: that, a hypothesized state of disequilibrium is created within a person whenever his actual level of payment deviates from the equitable level, regardless of the direction of the disparity (Vroom, 1964, p. 168).

**Shifting Theoretical Emphasis**

Recent research indicates that the focus of equity theory is shifting from one's comparison of one's inputs and rewards to comparison of one's inputs and rewards to those of others (Vroom, 1982; Lawler, 1971, 1973; Steers & Porter, 1979; Heneman, 1992; Patchen, 1961; Homans, 1961; Adams, 1963). This justifies the description of the theory as a
social comparison theory.

Adams (1963) is arguably the most influential of the proponents of this theory. According to him, an individual sees inequity whenever his perceived job inputs and/or outcomes stand psychologically in an opposite relation to what he perceives are inputs and/or outcomes of Others (p. 424, in Vroom 1982, p. 171).

In terms of pay, this could be one's perception that one has been overpaid or underpaid relative to other persons with whom one compares oneself. Individuals are hypothesized to do something about the situation. That is, they will be "motivated to achieve equity or to reduce inequity" (Lawler, 1971, p. 93). Two main assumptions are readily discernible from this tendency. Vroom (1982) expresses them thus:

that persons do not strive to maximize the attainment of desired outcomes like money but rather strive to obtain equitable or fair amount . . . [and] basic to this position is the belief that individuals are guided by a moral system which has as a basic tenet the fair distribution of rewards. If a person receives less than a fair amount he feels that an injustice has been
done him; if he receives more than the fair amount he feels guilty (pp. 167-168).

In seeking to achieve equity or reduce inequity, individuals are hypothesized to do any one of the following: 1. rationalize the situation, 2. increase their input, 3. decrease their input, or 4. leave the organization. This list is by no means exhaustive, and the particular behavior engaged in would depend on a number of factors, such as, whether the individual is on a piece-rate pay plan, hourly rate, or something else (Adams, 1963).

**Expectancy Theory**

This theory is primarily associated with the works of Tolman (1932), Lewin (1938), Edwards (1954), Rotter (1954, 1955), Peak (1955), Atkinson (1958), Vroom (1964), and Lawler (1971), with Lewin and Tolman in the vanguard. Like "Drive theory," it embodies the principle of hedonism most eloquently enunciated, first in the writings of ancient Greek philosophers and later, in the works of English utilitarians, notably, Jeremy Bentham, and John Stuart Mill (Steers & Porter, 1979; Vroom, 1964; Lawler, 1971, 1973). As a
philosophy, the principle of hedonism contends that behavior is directed towards sources of pleasure and away from sources of pain. That hedonism was popularly endorsed by theorists of that era is discernible in the following statement by the eminent psychologist, William James:

But as present pleasures are tremendous reinforcers, and present pains tremendous inhibitors of whatever action leads to them, so thoughts of pleasures and pains take rank amongst the thoughts which have most impulsive and inhibitive power (quoted in Vroom, 1982, p. 10).

Thus, in contemplating a course of action among alternative possibilities, people will choose that course of action which will tend to produce pleasurable outcomes in favor of that which will produce painful outcomes. Or, to use the hackneyed phrase, people will tend to maximize pleasure and minimize pain. As Vroom (1982) puts it,

... people are assumed to behave in ways which maximize certain types of outcomes (rewards, satisfiers, positive reinforcements etc.) and to minimize other outcomes (punishments, dissatisfiers, negative reinforcements etc.) (p. 10).
Expectancy theory posits that individuals, prior to action, engage in some form of "hedonic calculus" to determine the appropriate mix of behaviors or responses which will lead to the realization of the outcomes that they desire. "Individuals are viewed as thinking, reasoning beings who have beliefs and anticipations concerning future events in their lives" (Steers and Porter 1979, p. 210). It is because of this that, expectancy theory is seen as a cognitive theory of motivation.

Halachmi and Holzer (1987) put it thus:

Expectancy theory is a cognitive theory - it assumes that a conscious decision making precedes action. More specifically, it assumes that people think about whether effort is related to performance and whether performance is related to reward before they exert effort. Thus, a legitimate question is whether people at work think about these relationships; if so, how often; and which people are most likely to do so (p. 83).

Specifically,

... when faced with choices about behavior the individual goes through a process of considering questions such as "Can I perform at that level
if I try?" "If I perform at that level, what will happen?" "How do I feel about those things that will happen?" The individual then decides to behave in that way which seems to have the best chance of providing positive, desired outcomes (Nadler & Lawler, in Steers & Porter, p. 217).

Kellough and Lu (1993, p.48) cite Pinder (1984) to the effect that "much of human behavior is habitual and subconscious rather than rational."

Vroom (1964) was the first to develop a formal model of expectancy theory (Heneman 1992, p.25). He defines "expectancy" "as a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome." More specifically, expectancy theorists maintain that the strength of a tendency to act in a certain way depends upon the strength of an expectancy that the act will be followed by a given consequence (or outcome) and upon the value of that consequence (or outcome) to the actor (Lawler, 1971, p. 88).

But first, a word about performance. The observation was made earlier in this review that performance is determined not only by motivation, but also by ability, and knowledge and
understanding of the role one is supposed to play and through which ability finds expression. One can be motivated and yet perform below standard, because motivation cannot make up for what one lacks in ability. J. William Townsend, an industrial and organizational psychologist and consultant in Memphis, Tennessee might well have been speaking for millions of people when he reportedly said:

People cannot outperform their abilities. I don't care how much you motivate me, I'm not going to play basketball better than Michael Jordan (quoted by Washington Post staff writer, Jay Mathews, in The Washington Post, Sunday, Dec. 5, 1993, Col. 4).

Similarly, one can possess the requisite ability and optimal motivation, yet not perform well because one doesn't quite understand the role one is supposed to play (Steers & Porter 1979, p. 211). Expectancy theory deals with motivation as a separable aspect of performance.

Three interrelated variables are involved in the theory. First, the individual has to believe that if s/he puts forth effort, s/he can attain the desired performance, \([\text{Effort}(E) - \text{Performance}(P)]\) expectancy. Second, s/he also
has to believe that performing at that level will lead to a certain outcome, [Performance(P) - Outcome(O)] expectancy. Third, there is the issue of the value one attaches to that outcome (Valence), or the attractiveness of the outcome for oneself. Vroom (1982) defines valence as "affective orientations toward outcomes" (p. 15). These three variables combine multiplicatively to determine motivational force (Lawler, 1971; Vroom, 1982; Steers & Porter, 1979; Heneman, 1992).

Theoretically, mathematical values ranging from 0 to 1 could be used to delineate different levels of E - P and P - O expectancies. According to Lawler (1971),

Maximal strength (1) is produced by a subjective certainty that the act will be followed by the outcome, while minimal strength (0) is produced by a subjective certainty that the act will not be followed by the outcome (p. 89).

Outcomes could be valued in and of themselves or for ends to which they may lead. Vroom (1982) sees a relationship between outcomes consequent upon a certain course of action and ends - more distant and more encompassing outcomes of which the outcomes of any one single action is only a part.
In other words, the valence of an outcome for a given individual could be determined by this perceived relationship between (immediate) outcomes and (more distant) ends. The valence of an outcome could be positive, neutral, or negative. If a person is indifferent to it, it has a neutral valence. But,

if an outcome is believed to lead to desired consequences or to prevent undesired consequences, it will be positively valued. If, on the other hand, it is believed to lead to undesired consequences or to prevent desired consequences, it will be negatively valued (Ibid., p. 88).

Here, an important point of distinction between Need theory and Expectancy theory is in order. Content theories (Drive theory and Need theory) emphasize that people respond characteristically to the imperatives or dictates of innate drives or need deprivation. They "emphasize the push from a set of given higher-order needs as the primary motivational mechanism" (Tausky & Parke 1976, in Dubin ed. 1976, p. 549). These individuals' inherent needs are often invoked to explain behavior in organizational contexts; productivity increase or
quality improvement in the enriched situation are then assumed to be the consequences of satisfying workers' needs for autonomy and task complexity. If people have learned to value autonomy and complexity in their work, then work satisfaction may indeed be enhanced by the presence of these factors in the work setting (in Dubin, p. 560).

However, there is virtual unanimity among researchers that, while important, satisfaction does not necessarily lead to increases in performance (Viteles, 1953; Thierry, 1990). While some posit that it does have a slight, but positive effect on performance, others claim that the relationship is the other way round. That is, that performance produces satisfaction. But, increases in performance require effort—in terms of positive change in behavior; and, "behavior is a function of its consequences" (Tausky & Parke, 1976, in Dubin ed. 1976, p.545). Hence, expectancy theory and other reinforcement theories emphasize "the pull of valued rewards" in behavioral change. They suggest that people choose the kind of behaviors to engage in according to their rational calculations of how those behaviors affect the goals that they have. According to Tausky and Parke,
... to understand the quality and quantity of performances, it is important to examine the consequences employees face as a result of their performances (in Dubin, p. 560).

Along this line of reasoning, one might ask: Do workers find the consequences of merit pay rewarding, unrewarding, or even loathsome? It is how one answers this question that determines how one would behave under a merit pay program. In addition, even in cases where the net behavioral consequence is positive, expectancy theory posits that this positive outcome still should represent outcomes or rewards that the individual values. People determine the valence of these consequences for themselves. This is because different things make different people tick. People vary in their aspirations.

Therefore, merit pay is not a valent reward for everyone; but its endorsement amounts to a presumptive conclusion that it is. As Kellough and Lu (1993) put it

Though expectancy theory recognizes that people may differ substantially regarding what is important to them, merit pay systems do not take such differences into account (p. 54).
There is the assumption that all targeted employees (i.e., employees covered under merit pay plan[s]) are motivated by money. This view, no doubt, has its devotees; but their number is decreasing. Also decreasing is the number of those who hold that only Job Enrichment, Participation, etc. can enhance employee motivation. The literature presented earlier in this review clearly indicates that pay can motivate. It also clearly shows that the opportunities for growth, advancement, fulfillment, and salutary interpersonal relationships at work, etc., made possible through worker participation, job enrichment, and the encouragement of healthy relationships at work, can also motivate.

Consequently, analyses and syntheses of various research on pay (especially the most recent ones) seem to be converging on a recognition of the motivating potential of a plurality of rewards (Halachmi & Holzer, 1987). The rewards are available to organizations, but they are seldom used. Belcher and Atchison (1976) recall the observation made by Campbell et al. (1970) that: "organizations do not consciously use rewards other than money to motivate employees" (in
Dubin, p. 579); and further state that:

The knowledge that the typical organization employs diverse occupational and demographic groups and that these groups have distinguishable reward preferences suggest that we need to know the reward preferences of these groups. We need to know, for example, what rewards are desired from their employers by top management, middle management, lower management, various categories of professionals, white collar workers, craftsmen, and blue collar industrial workers. We also need to know how reward preferences differ demographically; limited evidence suggests that certain age, sex, and marital status groups have a high preference for specific rewards regardless of occupation. It is not being suggested that pay will be absent from any of these schedules, but it is suggested that the value of pay as a reward differs substantially for different groups and that it is important for an organization to know the reward preference schedule for each group (Ibid., p. 581).

Similarly, Perry and Wise (1990) observe that:

...the incentives that organizations provide are likely to be most effective if they are contingent on the motives of individual members. Thus, organizations whose members are motivated primarily by rational choice are likely to find
utilitarian incentives most effective. Organizations whose members are motivated by norm-based and affective considerations must rely more heavily on normative and affectual incentives (p. 371).

For instance, young unmarried women find social life at work rewarding; football players savor leisure time; and engineers value challenging assignments (Belcher & Atchison, 1976, in Dubin, p. 574). Schlessinger and Balzer (1985) emphasize this point more succinctly, and offer suggestions:

What outcomes are seen as desirable by employees? For some it is money, for some it is leisure time, for others it is opportunities to learn new skills, and so forth. For too long organizations have slavishly followed the largely untested hypothesis that all employees are motivated by money. Our point is that organizations must themselves establish what a particular workforce wants without strictly relying on somebody else's hypothesis (p. 49).

More importantly, management must take up the initiative to respond, to the extent possible, to changing reward needs and preferences of employees by finding "out both if a particular reward serves to motivate and, if so, within what range"
(Haire 1959, in Dubin, p. 579). This is instructive, given the observation that "all rewards follow the law of diminishing returns" (Ibid.). Merit pay negates also this crucial understanding.

**Summary of Chapter**

The effort to understand motivated human behavior has yielded a number of theoretical explanations. Instinct theory is the earliest of these. Essentially, it says that our behavior is determined by instinctive impulses. Although intuitively appealing, it lacked sufficient explanatory power. Scientific management took the stage shortly after the turn of the century. It portrayed human beings as being purely motivated by economic considerations. Its appeal, credibility, and efficacy whittled in the presence of numerous organizational behavioral problems that it bred. The attempt to understand these behaviors led to the realization of the existence of motivational factors other than the economic one. This was the era of the Human Relations movement. Drive theory with its emphasis on the paramountcy of biologically-based needs could not offer the much-needed explanation for why social relationships at work seemed to
impact worker motivation. Neither could it explain a host of other needs (such as, the need to be competent, to achieve, etc.) that researchers were identifying as factors in the dynamics of human motivation. Maslow's hierarchy of needs represents the best effort at a comprehensive theory of human motivation. It incorporates both the biologically-based needs and the higher-order needs. Money is obviously instrumental to the satiation of the more basic and tangible of these needs. But, some contend that its utility for need gratification and therefore, motivation, is limited to these basic needs, and insist that, greater worker involvement in organizational enterprise through such strategies as job enrichment and worker participation is a more potent nostrum for low motivation than the prospect of pay increases in the form of merit pay. Others claim that workers do not care about these things as much as they do pay.

Thus, if this review of the literature on the theory and research on work and pay seems to have yielded no precise and incontrovertible conclusion, it is because there isn't any. Fassioto reportedly made this observation years ago (1986, p. 3) when he said: "it becomes increasingly clear
that nothing is clear regarding merit" (Taylor, Hunnicutt, & Keeffe 1991, p.53). This is true to a considerable extent. However, one important observation seems to be clear. It is that there is no substitute for either pay, or, a work environment which provides the worker ample opportunity to realize his/her full potential, and which is characterized by a socially healthful atmosphere. Emerging research seems to be validating these observations, hence the burgeoning emphasis on the motivational potential of a plurality of needs.

For those employees who would be motivated by the prospect of merit pay, knowing what they would do to get it is an indispensable step. The issue may be put somewhat like this: If I put forth effort, what are my chances of attaining the desired performance on which merit pay theoretically hinges? But, I must first know what the desired performance level is and how attaining it or not attaining it is to be determined or measured. In short, I must know the standards or performance indices by which my performance will be appraised. This issue will be addressed in chapter four where the theory and research on merit pay implementation
will be discussed.
CHAPTER THREE

CRITICAL ASSESSMENT OF THE FINDINGS OF THIRTY-SIX STUDIES

I shall begin this chapter with the observation that, there is a relationship between the purposes of a research and the methodology employed to conduct it. The overarching objective of this study is to make a critical assessment of the findings of empirical studies on merit pay in the public sector. To this end, I shall use a methodology termed meta-analysis. Its characteristics as well as its appropriateness for this study will be discussed. A brief summary of each of the thirty-six studies selected for this meta-analysis will be presented. The criteria for the selection of these studies and the search process used to locate them will also be discussed. Each summary will contain some information about the findings of the study. Additionally, the findings of all the studies will be presented integratively in the Discussion section for the purpose of arriving at a synthesis.

Merit pay is based on the belief that differen-
tial monetary rewards to employees for differential levels of performance motivates employees to higher levels of productivity. But, does it work? The usefulness of merit pay lies not in its theoretical appeal or attractiveness, but rather in whether or not it works. There are various accepted ways of finding out if it does or not, and the literature on research methodology abounds in various conceptualizations of these not only with regard to goals and objectives, but also to such factors as utility and feasibility (Patton, 1982; Dunn, 1981; Wildavsky, 1979). An Impact evaluation "aimed at determining program results and effects, especially for the purposes of making major decisions about program continuation, expansion, reduction, and funding" (Patton, 1982, p. 44) would be suitable. This could be achieved through basic survey research, for example; whereby organizations with merit pay systems in effect are studied via interviews, questionnaires, analysis of productivity records, and the like to see what differences, if any, the adoption of merit pay has made in employee performance and motivation.

However, two main considerations have persuaded me to abandon this approach in favor of another. The first
has to do with the feasibility, with respect to time and cost, of gathering primary data on a scope that is sufficiently large to generate significant results. The second consideration amounts to a disinclination on my part to unduly add to the quantity of primary empirical research data already available in usable form in the volumes of relevant journals. In virtual agreement with many scholars, I dare say that, what is needed, it seems, "is not additional empirical data but some means of making sense of the vast amounts of data that have been accumulated" (Hunter, & Schmidt, 1990, p. 34).

Therefore, in view of these considerations, my objective in this dissertation is to offer a critical assessment, based on the findings of empirical research, of the efficacy or the lack thereof of merit pay as a prod to to optimize the motivation and productivity of public sector employees. There are several ways to reach this critical assessment. These ways, as a whole, are subsumed under what Hunter and Schmidt (1990) have called "Methods of Integrating Findings Across Studies" (p. 468) or, meta-analysis. It is a relatively new field of intellectual and academic interest,
given that the first journal article on the subject was published in 1976 by Gene V. Glass (Hunter and Schmidt, 1990; Hedges, Shymansky, and Woodworth, 1989). According to Hunter and Schmidt (1990),

In that article, he laid out the essential rationale and defined many of the basic features of meta-analysis as it is known and used today. He also coined the term meta-analysis (p. 16).

Like any systematic inquiry, meta-analysis consists of several stages, namely:- problem formulation, data collection, analysis, and interpretation; and presentation of results. The methods are the traditional narrative procedure, traditional voting method, cumulation of p-values across studies, statistically correct vote-counting methods, vote-counting methods yielding only significance levels, vote-counting methods yielding estimates of effect sizes, counting positive significant findings, counting positive results, and counting positive and negative significant results. They vary in their strengths and weaknesses, and in overall degree of usefulness or efficacy. That is, in the degree to which each can extract "the information needed from the studies re-
viewed" (Ibid., p.468). However, the appropriateness of any one of the methods employed for a given study would depend on the nature of the data or findings to be integrated. According to Pillemer and Light (1980),

The theme here is that no procedure is always best, but rather that different kinds of questions require different ways of combining outcomes (p. 177).

Integration of studies has to be preceded by a thorough literature search. The purpose of a thorough literature search is to identify and select research studies with relevant information. As Hunter and Schmidt (1990) point out, "relevant studies are those that focus on the relationship of interest" (p. 497). As with any policy, and especially those affecting large numbers of people and organizations, merit pay may produce some desirable effects with respect to facets of organizational functioning. However, if it does not somehow make the organization more effective and efficient, its continued adoption may not be justified unless, of course, those effects cannot be realized otherwise. Thus, our selection of studies will be based on the follow-
ing:

1. The independent variable has to be merit pay.

2. The dependent variable(s) has to be employee motivation, productivity, and/or organizational effectiveness and efficiency.

Consequently, we will exclude from our meta-analysis studies that do not specifically report the effect of merit pay as an independent variable on employee performance, motivation and/or organizational effectiveness and efficiency, though, such studies may report correlations between other variables and the dependent organizational variables just mentioned above. This is in order to avoid the obvious problems of interpretation all too well known to experienced meta-analysts, of mixing different variables that Hunter and Schmidt warned of when they said:

...while it is true that meta-analyses that mix 'apples and oranges' are difficult to interpret, no harm is done as long as separate meta-analyses are presented later for each dependent variable construct. In general, meta-analyses that do not mix different independent variables are also more likely to be informative (Ibid., p. 497).
Unless one's objective is "summarizing a research literature in broad strokes," mixing apples and oranges is to be avoided. Answers to pointed inquiries such as "Does merit pay work?" cannot adequately be provided by broad strokes meta-analysis. Only narrow and focused meta-analysis can.

In compiling relevant empirical studies, my efforts represent attempts to incorporate as many relevant studies as I could find, given the observation made by many a scholar that research in merit pay is empirically deficient. First, I went through the sociological abstracts and the psychological abstracts and looked for studies under "merit pay" and "pay-for-performance." This search yielded a rich variety of journal articles, covering virtually every conceivable aspect of the issue and across sectors - private, public, and not-for-profit. My next approach entailed extensive use of several databases. The database, ABI/INFORM in the software PROQUEST was accessed through the CD-ROM Retrieval system. Again, I used "merit pay" and "pay-for-performance" as key words. There was a total number of 511 articles from January, 1971 to July, 1993. The database Sociofile, contained 9 articles from January, 1974 to August, 1993.
Databases PAIS INTERNATIONAL yielded 42 articles, from 1976 to 1993; PsycLit, 22 articles from January, 1987 to September, 1993; and the Social Sciences computer database index yielded 34 articles, from 1983 to September, 1993. The software INFOTRAC was also searched. My efforts also included an exhaustive search of the database Dissertation Abstracts ONDISC in the software, PROQUEST, through the CD-ROM Retrieval system. Here, my search covered the period from January, 1961 to September, 1993. 183 studies were located. Government documents were also accessed through the appropriate computer database. I also checked the reference section of all of the journal articles located, both the theoretical and the empirically-based ones, for research studies that may have eluded my search.

Although my search yielded numerous studies, in all, an overwhelming number of them were simply theoretical, giving attention to a variety of issues on merit pay and performance appraisal. A review of the publications retrieved resulted in the following specific observations:

1. Some of the studies that purport to examine the efficacy of merit pay plans or actual employee experience under such
plans are, in most cases, not much more than composite theoretical insights into employee reactions; or prescriptions that either call for the abandonment of merit pay plans or, revisions of the ways there are traditionally implemented.

2. Others examine perceptions and attitudes regarding performance appraisals, the factors that determine ratings, and the actual and/or potential effects of appraisals on salient organizational variables such as, employee motivation, productivity, and organizational effectiveness.

3. Still, others examine such issues as the relationship between pay satisfaction and motivation and productivity.

Ideally, any effort to make a critical assessment of merit pay in practice in the public sector to determine if it works or not; if it represents a bright promise or false hope, would require that one integrate the findings of a particular kind of empirical studies on merit pay. These would be studies characterized by a systematic collection and analysis of data before the introduction of merit pay and subsequent to its implementation as required by the Office of Personnel Management. In this way, one would be in a position to see, upon the examination and analysis of data, if its
introduction and implementation according to OPM guidelines has made a significant difference in organizational effectiveness and efficiency, and in what direction. One could conduct a combined significance test of all the studies (Rosenthal, 1987). To this end, all one would need to do is add the Z scores (standard normal deviates)

associated with each reported p value...their sum is divided by the square root of the number of studies that are combined. The probability value associated with the resulting overall score provides the level of significance for the combined statistical test. Other conceptually similar techniques include adding weighted Z's, adding t's, adding logs, and adding probabilities...

...Generally, an analyst needs from each study only the sample size and value for the test statistic (t, z, or F), or exact probabilities (Pillemer & Light, 1980, p. 184).

Unfortunately, this category of studies for the public sector is virtually non-existent (Schay 1988, p.237). My search unveiled only one such study. This is the study by Pearce, Stevenson, and Perry (1985) titled "Managerial Compensation Based on Organizational Performance: A Time Series Analysis of the Effects of Merit Pay". In that study,
the authors cite Dyer and Schwab (1982) for support for their observation that:

Performance-contingent compensation is a widely-accepted means for rewarding managers, but there are no rigorous empirical tests for its effectiveness...The only available information comes from surveys of the relationship between executive pay and performance (pp. 261-263).

Furthermore, they assert that:

The present study is the first systematic attempt to assess the actual effects on organizational performance of the introduction of performance-contingent pay for managers (Ibid., p. 264).

While making reference to Pearce et al. study, Perry, Petrakis, and Miller (1989) incorrectly implied that their own study also analyzed the actual impact of merit pay on organizational effectiveness when they said:

...To date, only one other assessment of federal merit pay has analyzed the performance consequences of individually-contingent managerial pay (p. 35).

But they only used supervisory performance ratings as a surrogate measure of increases or decreases in individual or
organizational performance. However, elsewhere in the article, they correctly pointed out that their study was limited, in that it did not measure actual individual or system performance. Further evidence of the paucity of such research is provided by Scott, Hills, Markham, and Vest (1986) who observed that:

> While the widespread and continued use of merit pay plans is certainly prima facie evidence that managers believe such programs enhance employee performance and productivity, the value attributed to merit pay programs is in large part an act of faith. There is very little empirical evidence with which to rigorously evaluate these programs (p. 2).

In their study, they found only 16 empirical studies "that evaluated the effects of merit pay programs in use" (p.iv) and most of these were in the private sector. Kopelman, Reinhart, and Beer (1983) was the only empirical study which they found on the effect of merit pay programs on individual performance, and it was on the private sector. This led them to observe that "...the review of literature suggests that empirical research is desperately needed in the
merit pay area" (Ibid., p.iv). Furthermore, in a review of Milkovich and Wigdor's (1991) book: *Pay for Performance: Evaluating Performance Appraisal and Merit Pay*, Lucretia Dewey Tanner points out authors' observation that

...Despite the prevalence of merit pay plans, we cannot determine their effects ...The only measures available are opinion surveys of employee perceptions about the success of appraisals and merit plans in linking pay to performance (p. 41).

In consequence of this dearth of the empirical studies that would be most appropriate for determining the efficacy of merit pay plans, the cummulation of findings across studies will comprise largely of studies which tap into employee experiential attitudes toward merit pay and their perceptions of its efficacy with respect to the two most significant objectives of the device, namely, employee motivation and productivity, and organizational effectiveness and efficiency. This approach could yield information that would be very useful as the next best guage of the validity of merit pay as a means to improved employee motivation and productivity. This makes sense for two main reasons.
1. The perceptions and attitudes of those most directly affected by the adoption of any policy is crucial to the success of the policy (Lynn and Vaden, 1979). Experience with the fate of policies in virtually every aspect of our lives bears it out and the literature contains more than an ample documentation of it (Murnane & Cohen, 1985; Schay, 1988; The Institute for Social Research, 1982; Daley, 1988; Gaertner & Gaertner, 1985; Lawler 1971, 1973).

2. Organizational members' perceptions of the actual impact of the policy on relevant organizational variables is often-times a reliable surrogate measure of the actual effect of the policy in question. Citing Buchanan (1974), Perry and Porter (1982), and Romzek (1985), Daley (1988) emphasizes the above observations thus:

Perceptions of organizational success, while not as "good" as actual measures are nevertheless useful. The importance of the worker's psychological involvement or commitment to actual job performance has been demonstrated in much prior research (p. 22).

As with the number of publications that examined the actual impact on employee and organizational variables of
the introduction of merit pay, the number of empirically-based perceptual studies is also small. According to Pillemer and Light (1980, p. 179):

The relationship between sample size and the power of a statistical test is well known: the larger the sample size, the more likely that a certain effect will be detected as statistically significant.

By the same token, the larger the number of studies whose findings are being integrated, the more likely that the resulting findings will be meaningful. I feel that since I am concerned with just the effect of merit pay in the public sector and not necessarily the size of the effect, it is consistent with my purposes and in the spirit of this endeavor to use studies in every area of the sector. This would include areas other than the public bureaucracies. Thus, to make this study more meaningful, I have broadened my sphere of analysis to include relevant studies in the field of Education, where merit pay has been the subject of empirical investigation longer than it has in any other facet of the public sector. A few of the qualifying studies reported findings by test statistics such as p values.
However, in most of them, findings are presented in the form of percentages, numbers, and the like. These cannot be statistically combined in any meaningful way. As a result, a combination of the "The Traditional Narrative Procedure" and "The Traditional Voting Method" will be used instead. Given the nature of the data that I have, it is a method that recommends itself for my purposes. According to Hunter and Schmidt (1990, p.469), "in its simplest form, the Traditional Voting Method" consists merely of a tabulation of significant and nonsignificant findings". Light and Smith (1971, p.433) described the approach thus:

All studies which have data on a dependent variable and a specific independent variable of interest are examined. Three possible outcomes are defined. The relationship between the independent variable and the dependent variable is either significantly positive, significantly negative, or there is no significant relationship in either direction. The number of studies falling into each of these three categories is then simply tallied. If a plurality of studies falls into any of these three categories, with fewer falling into the other two, the model category is declared the winner. This model categorization is then assumed to give the best
estimates of the direction of the true relationship between the independent and dependent variable.

Although, as I stated above, the findings of the studies I will be integrating are not generally stated in the form of "significantly positive" and "significantly negative," the principle embodied in the method described in the above quotation applies to the kind of data I have. Where merit pay is judged as having positive effect on salient organizational variables, I will treat as significantly positive. Where it is not, I will treat as "no significant effect," and where it is judged as having a negative impact, I will according treat as "negatively significant." Additionally, I will be providing a synoptic description of each of the studies I am using, to add perspective to the quantitative findings reported. As Pillemer and Light (1980) point out,

Qualitative information and case narratives can provide a richness of description difficult to capture in a more quantitative summary (p. 177).

My impression from a survey of the literature gives me
grounds to suspect that merit pay as a prod to enhance motivation and productivity in the public sector leaves much to be desired. In fact, while merit pay is not totally bereft of value, it has been asserted that "many of these merit pay plans have created serious motivational, paperwork, and productivity problems for employees who work at the federal, state, and local levels" (Gabris, 1986, p. 2). It is my hope that the integration of empirical research findings undertaken here will, not only help us determine if merit pay represents bright promise or false hope, but also shed more light on the nature of the problems that may have contributed to its inefficacy. In the following pages, I present a brief description of each study dealing with employee perceptions of the actual effects of merit pay on organizational variables. First, the studies showing positive effect; then, those showing negative effect, followed by those that yielded inconclusive results, and finally, those studies indicating no effect.

Studies Showing Positive Effect

In the study, "California City Increases Productivity Through New Pay and Performance System" (1981),
John L. Maltbie reports that prior to 1979, a small city of about 40,000 located in the San Francisco Bay Area had a sixteen year old merit pay plan which gradually had degenerated into a "longevity" plan, "with advancement between the steps, at one year intervals, being virtually automatic" (p. 39). There were virtually no performance appraisals and both outstanding employees and those who were merely satisfactory were treated equally. In 1979, following Proposition 13, the city and its employees' association jointly prepared a Performance Incentive Plan which consisted of four weighted elements: performance evaluation (42%), work plan (38%), self-evaluation (10%), and supplementary review by department head, (10%). Prepared at the beginning of each fiscal year, the work plan contains both qualitative and quantitative measures of specific objectives for the year. A committee of Department heads and the city manager reviews work plans. They are also reviewed quarterly for every employee by his or her supervisor. At this time, the plan may be amended if necessary to reflect any changes that may have occurred since the plan was first approved. 2% of the base salaries of covered employees was earmarked for "performance
incentive" in 1979-1980, and 4% in 1980-1981. An adjustment is made to the base salary of managers receiving 60 points or more on all the elements of the plan. In addition to this base salary adjustment, qualifying employees also receive a performance incentive pay at the end of each fiscal year. The amount of money earmarked for the outstanding merit pay pool is divided by the total points of all eligible employees. The amount that each eligible employee receives is determined by the total number of points the employee has on the four weighted elements mentioned earlier. The main goal was the improvement of employee motivation and productivity. The plan was also intended to be a basis for assisting employees whose performance fall below standard to improve. Outstanding employees were also to be recognized and given supplementary points for such as:

imagination and innovation in the management of programs; demonstrated ability to implement programs to increase productivity, efficiency, and/or economy; completion of special projects; willingness to support and effectively carry out management decisions; exceptional community relations; staff development; safety records; community activities, professional
In the first year of the plan, incentive payments to participants (43 employees, or 65% of represented employees voluntarily participated) ranged from as low as $32.51 to as high as $780.24, with the average payment being $489.00. A significant portion of the participants also received base salary adjustments. Although the city of Milpitas later eliminated some positions (25 in all) in order to balance the budget due to the requirements of Proposition 13, it was continually able to meet the needs of its growing number of residents. This was largely due to the improved productivity of the remaining employees; an improvement traceable to the introduction of the new merit pay plan. Predictably, evaluation of the program by 80% of the management staff revealed that "virtually all the respondents thought the plan should be continued with certain modifications" (p. 40).

In "Employee Incentives in the Public Sector: A National Survey of Urban Mass Transit Authorities," Diana L. Deadrick and K. Dow Scott (1987) use the transit industry to gauge the
viability of financial incentives as motivator for public sector employees. One of the incentive plans examined was merit pay, which, besides being the most widely used Financial Incentive Plan (FIP) (86 or 30% of the 291 reported FIPs) among transit authorities, was also the one that has been in use the longest, with about half of the programs examined in use for more than five years (pp. 138-139). The distribution of coverage is as follows: Operators (32 of the 86 programs, or 37%), maintenance personnel (32 or 37%), office personnel (67 or 78%), supervisory personnel (77 or 90%), and management (63 or 73%). The merit pay programs typically used multiple performance measurement criteria. 97% used supervisory evaluation; 49%, attendance; 34%, customer compliment/complaint; 19%, seniority; and 3%, cost savings. 28% or 234 of the 850 transit directors to whom questionnaires were sent responded. The usable number of was 222 or 95% of the responses. Programs were evaluated by benefits derived with regard to such measures as reduced tardiness, reduced absenteeism, increased employee motivation, increased customer satisfaction, increased safety, etc., and by overall effectiveness. Results showed that, 84%
of the respondents cited increased employee motivation as the benefit derived from merit pay. Additionally, an overwhelming 88% of the merit pay programs were judged to be effective (41%, marginally effective; and 47%, very effective). An interesting finding was that only 1% of the merit pay programs was rated marginally ineffective and none was rated ineffective.

In "The Jury is Still Out on Merit Pay in Government," Gilbert B. Siegel (1987) uses a Likert scale type measurement of: disagree, undecided, and agree to determine if, and how the implementation of merit pay has affected the attitudes toward various aspects of merit pay, of scientists and engineers, administrators, technicians, and specialist occupational groups at the Naval Weapons Centre in China Lake, California. To this end, the results of subsequent yearly surveys, including the present one in 1985, were compared to baseline data obtained in 1979. Among the categories of questions asked was one dealing with the efficacy of merit pay and another dealing with the impact of merit pay on organizational effectiveness. In the category dealing with
the efficacy of merit pay, questions such as: "Under the present system, it is very difficult to motivate employees with financial rewards;" and, "For me, additional money is a significant motivator to increase my performance," were asked. On the first statement "there was a dramatic reversal of agreement between pre- and post- implementation. Except for technicians, there was "a movement in the direction of agreement" with the second statement. On organizational effectiveness, respondents were asked to state their perception of the effect of the demonstration project on productivity. Responses indicated no discernible impact.


One of the issues probed in this multi-purpose study was the effect on the motivation of the faculty of South Dakota's six public colleges and universities, of a merit bonus plan. Questionnaires were distributed to 25% of the faculty of these institutions. A major finding of the study was that the effect of the merit pay plan on the motivation of the faculty was minimal.

This case study recounts how the largely mediocre athletic programs (football team, basketball team, swimming team, track and field, etc.) of Eastern Michigan University were turned around dramatically and significantly by the introduction of a system of compensation that permitted the award of pay increases for excellence. Prior to 1965, coaches of the various sports were simply "asked to win more than you lose" and there was no discrimination in pay based upon performance or records of achievement. With the introduction of pay-for-performance, objectives required coaches to "reach a level of competitiveness in the top third of the Mid-Atlantic Conference (MAC)". There was a continuum of rewards for a range of performances. In addition to performance-based salary increases, coaches who won the MAC championships were to receive $1,000.00 while their assistants received $500.00. Evaluation was to be based on specific objectives which provide "clear indicators of success". Contracts may not be renewed if performance objectives were not met. As it turned
out, 1987 - 1988 season was the best year in the annals of Eastern Michigan University's men's and women's athletic teams. "EMU won five conference championships (including football and men's basketball), placed second in four other sports, won its first bowl game in football, received its first invitation to National Collegiate Athletic Association (NCAA) tournament, and won the Reese Trophy and Jacoby Cup in the Mid-Atlantic Conference.

Study With Negative Effect

Clifford, Mary Patricia "An Econometric Analysis of Merit Pay for Teachers."

The research issue addressed in this study was: "does merit pay for public school teachers improve student cognitive learning?" Results indicated that merit pay had a negative effect. That is, it led to a decrease in teacher effort. The researcher notes that:

Such a decrease can occur if teachers expect the total value of the merit award including non-monetary elements to be negative. Thus, the results are consistent with the view that in a school district with merit pay, teacher
dissatisfaction with the evaluation process, jealousy, peer uncooperativeness, and the like are sufficient to exceed teacher benefits from those awards.

Studies Showing Inconclusive Results


The authors set out to examine, among other things, the ability of pay for performance to motivate employees covered by the program; and the device's effect on organizational behavior, organizational outcomes, and agency personnel processes in Region X of the Environmental Protection Agency (EPA). Much of the study consisted of interviews with merit pay employees and officials charged with the responsibility for the running of the agency's merit pay system. These were conducted in stages: four months after the evaluation period began; shortly after the agency's mid-year review of the system, and again shortly after the agency announced its merit pay awards in October, 1980. Because "trials at multiple sites" are necessary for generalizability regarding "the impacts and conditions under which an
innovation is likely to be successful," interviews were also conducted with senior managers in Region IX, the headquarters offices of the EPA, and the Washington, D.C. offices of the OPM for any interactive effects between the agencies. The findings of the study are inconclusive on both variables: employee motivation and the direction of employee behavior towards organizational goals (organizational effectiveness).

Studies Showing "NO effect"


This study uses a pre-program and post-program evaluation design to examine the effectiveness of merit pay plans for local school district administrators. The site was a medium-sized mid-western city with 26 elementary schools, 7 middle schools, and 5 high schools; with a total administrator population of approximately 120. The program was dubbed Merit Award Program (MAP) and was to run the full academic year (September - May). Ten winners who would receive $1,000.00 each were to be selected following nominations by peers and supervisors, review by the management council, and
final determination by the superintendent, and the School Board without modifications. Nominations were accompanied by nominee's performance appraisal results for the academic year and by a completed (by the nominator) "merit award criteria" form. This form "asked the nominator to describe in writing instances of sustained, exceptional, performance beyond that which normally is expected (e.g., design and completion of a special project over the school year)." Each nomination was to be evaluated independently by each member of the management council. A composite score was arrived at for each nominee. The management council would discuss them, rank-order the nominees and submit to the superintendent who would approve the recommendations without modifications. The School Board typically gave its approval. Pre-program questionnaires were administered and open-ended interviews (of the write-in variety) were conducted in January. In both the questionnaires and the interviews, questions asked were intended to elicit information concerning, among other things, opinions about the merit pay program. For the pre-program phase, usable returns were 102, a response rate of 84% (N = 122). 96 of the post-program questionnaires were returned, for a
response rate of 79% (N = 122). In both phases, responses were typically required in the form of, for example, 1 = No; 2 = Maybe; 3 = Yes, etc., and results were presented similarly. Interview responses were "content analyzed to determine major themes." One of the questions asked in the post-program questionnaire was: "Are you more motivated to perform well because of the merit award program?" Results indicated a below-average reaction, with a mean of 1.2. Open-ended comments from interviews yielded reactions in the same negative direction. This led the author to observe that:

...the present case study evaluation found that a merit pay program, which on the surface appeared straightforward and had many positive characteristics, failed rather handsomely...merit pay programs do not necessarily solve the problems they were designed to address, and may simply create additional ones.


This study is based on the responses of 316 employees who had actually experienced a complete merit pay cycle, out of a motley group of 9226 employees who comprised
the sample of the 1980 Federal Employee Attitude Survey (OPM, 1983) conducted between November, 1980 and March, 1981. Out of this 316 employees, 64 had actually received awards. The rest, though eligible, had not actually received awards. It is hypothesized in the study that "merit pay recipients should show a higher degree of motivation than those who, while eligible, are yet to receive merit pay awards." To test this, the author employed three scales that measure equity perceptions, performance-reward perceptions, and intrinsic motivation of the respondents. Items used to tap into respondents' attitudes on these scales were of the five-point Likert type. The relationship of merit pay and motivation as discernible from the above scales was measured by eta association. Also measured by eta association on a five-point Likert-type items was the relationship between merit and organizational effectiveness. On all indicators, the eta association approaches zero. This indicates that merit pay neither motivated these employees nor enhanced organizational effectiveness.

In 1980, Biloxi, part of the second largest metro area in Mississippi, instituted "a plan to reward employee productivity through periodic monetary bonuses". This was called the Biloxi merit bonus plan. Although, it was originally designed to reward both individual and team productivity, in reality, only the individual aspect of the plan was put into effect. 280 employees of the city of Biloxi "who had been subject to at least two complete evaluations and at least one merit bonus payout" were involved in the study. This group consisted of non-supervisory employees (ratees) and managers and supervisors (raters). A five point Likert-type scale was used, where (1) indicated "strong disagreement" and (5) signified "strong or intense agreement." In a few items, behaviorally anchored rating scales were used. Of all the statements respondents were asked to react to, the two most relevant to motivation and productivity were: "The merit bonus and the merit council concept have improved morale in your department". The distribution of responses
were as follows: disagree, 45%; agree, 23%; and neutral, 33%. The other was: "The merit Bonus system has really improved your productivity or incentive to be productive". 43% disagreed, 30% were neutral, whole only 27% agreed.


The purpose of this study was to determine the perceptions toward individual merit pay plans of the faculty of selected schools accredited by the American Assembly of Collegiate Schools of Business (AACSB). A list of faculty members and their schools as listed in the Decision Sciences Institute Membership Roster was cross-referenced with a list from AACSB schools. The result was a list of 1109 professors from 48 states, the District of Columbia, and Canada. A questionnaire containing 41 questions was pilot-tested on a sample of business professors at the University of Alabama and subsequently mailed to 1,000 of the above professors from AACSB schools. There were 387 usable returns. Results were reported in percentages and frequencies. Analysis of volun-
tary comments showed that most faculty members did neither perceive a linkage between performance and merit pay nor one between merit pay and motivation to higher performance. According to the authors, this was the perception of the largest number of respondents.


Armed with two convictions: that Frederick Herzberg was correctly interpreted as saying that money is a hygiene factor, and not a motivator; and that, "competent administrators are capable of identifying excellent teaching," the administrators and members of the Catalina Foothills School District in Tucson, Arizona, instituted a program called "Program for Excellence" to reward excellent teaching. Although contributions outside the classroom, service on committees, and the like, were considerations in the evaluation of teachers, instructional excellence was the most influential factor in the recommendation of any teacher for award by the Principal of the school. Awards ranged from
attendance at professional conferences held outside the state to cash, computers, and instructional materials. Choice of award to any eligible recipient was made after s/he had conferred with his/her Principal to "identify an experience or reward that the teacher valued highly and that conformed to Herzberg et al.'s theory. Whenever feasible, the item or money was linked to work content, i.e., the enhancement of the teacher's ability to assist children in the classroom" (p.267). In response to an evaluation questionnaire designed to ascertain the efficacy of the program, 21 of the 27 teachers who received awards indicated that "teachers receiving awards will be motivated to continue their excellent performance and to make further improvements". "The reward least valued by both recipients and non-recipients was money. Non-recipients, in particular seemed to believe that special recognition in the form of money was contrary to professionalism" (p. 268).


This is an assessment of the implementation and operation of merit pay in three federal agencies with about
25% of all federal merit pay employees. These were the Navy, and the departments of Agriculture, and Housing and Urban Development. Responses showed that about "80% of all employees in the three agencies do not believe the system increased their motivation or performance" (p. 10). This perception was shared by even the top performers in these agencies.


Two types of merit pay programs were examined in this case study. One was the individually-based Florida Meritorious Teacher Program. The other was the school-based Quality Instruction Incentives Program (QUIPP). The purpose of both of these programs "was to increase the academic performance of public school students and to provide greater economic incentives to instructional personnel and staff." Under the first plan, meritorious individuals were to receive merit pay awards. Under the second, meritorious school districts were to receive awards which they could distribute.
to deserving schools according to established criteria. In other words, whereas in one, competition for rewards was between individuals in the same school and across the district, in the other, it was between schools within the district. A random sample of 40% of classroom was drawn from each school. Follow-up measures resulted in a response rate of 67% (N = 2718). Part of the data in this study came from the data base from an earlier study on teacher work, incentives, and rewards (Provenzo, Cohen, and Kottkamp, 1983-1985) conducted under the auspices of The National Institute of Education, Dade county public schools, and the United Teachers of Dade. Findings suggest that "the opportunity to wield influence and gain respect is a more important motivator for Dade county teachers than salary" (p.19).


Five installations of two federal regulatory agencies were the sites for this study of the effects of the civil service reform of 1978. Data collection began early in 1980 and included structured and unstructured interviews with
senior executives, middle managers, and "key resource" people. It also included questionnaires to agency employees, and examination and analysis of agency documents pertaining to the implementation and operationalization of the Act. Questionnaires were distributed before implementation in 1980 and after implementation in 1982. Average return rate was 73%. Only responses from merit pay employees - middle and upper-level managers and supervisors - were used in analysis of findings. Most pertinent to our purposes was the reaction of respondents to the following statement: "Merit pay has made this agency more effective by encouraging people to work harder." Only 10% of 451 respondents answered affirmatively.


Two groups of respondents were involved in this study designed to investigate, among other things, the existence or the lack thereof of "a difference in attitudes toward teaching between those high school teachers who were and those who were not involved in a career ladder/merit pay pilot program." The "Attitudes Toward Teaching Questionnaire"
was administered to both groups. Responses were statistically analyzed by frequencies, reliability, factor analysis, and multiple regression. The major conclusion reached was that the career ladder/merit pay pilot program did not effectively motivate high school teachers.


Here, the effect of merit pay on teacher performance as perceived by teachers was investigated in a district which had had a merit pay system in use for 29 years. Structured, open-ended interviews were conducted with selected teachers, administrators, and board members. A survey of High School teachers, and an analysis of selected documents from the district provided additional data. Results indicated that merit pay had only an insignificant impact on classroom instruction, affecting only the performance of approximately 30% of teachers.

Sims, Nancy Howard (1990): Merit Pay and the Affective Well-
being of Teachers.

For this study, a sample of 75 teachers from elementary, middle, and secondary schools all over the state of Tennessee was interviewed. The professional status of these teachers ranged from probationary, to apprentice, to career level 3 teachers. The study had several purposes. Among these was the assessment of the impact of merit pay on classroom instruction. The findings of the study indicate that "merit pay has not had an effect on teachers' teaching."


The findings reported in this study were elicited from respondents mainly through a nationwide questionnaire termed "Merit Principles Survey." Administered in July 1983 to a sample of 7861 "executive branch employees," the questionnaire contained 70 questions in six different sections, namely: "General Employment Questions", "Protections for Employees who Report Fraud and Waste in Government Operations," "Merit Pay," "For Supervisors Only,"
"For Senior Executives," and "Personal and Job Information." The questions were intended to provide "representative government-wide data on the attitudes and experiences of employees at all levels of the workforce on issues related to the merit system." The percentage of employees who do not see merit pay as a motivator varied from 54% to 87%. Similarly, the "majority of merit pay supervisors in all but two agencies do not see merit pay as a motivator." Researchers conclude that "...while employee evaluations of merit pay vary somewhat by agency, the overall results suggest that the system has not contributed as much to employee motivation as anticipated" (p.33).


The findings analyzed in this study represent information from a variety of sources, viz: interrogatories to the heads of the twenty largest federal departments and independent agencies in the spring of 1983; a nation-wide survey titled "Merit Principles Survey" administered to a
stratified random sample of 7861 Executive Branch employees in July of 1983; a panel-type discussion with and between representatives from federal agencies and top officials from the OPM; and secondary data from a review of recent studies by the GAO, OPM, "as well as other public and private research organizations." The questionnaire was pretested seven times with a representative sample of employees from the Merit Systems Protection Board (MSPB), the Internal Revenue Service (IRS), the Department of the Treasury, and the Department of Agriculture and subsequently mailed to the actual study sample in July, 1983. Of the 7861 questionnaires, 229 were undeliverable. There were 4697 returns for a rate of 65%. Data analysis consisted mainly of frequency distributions and two-way cross tabulations. "Neither merit pay employees, nor those who supervise merit pay employees saw the program as having a significant effect as a motivator of performance" (pp. 57, 60). "Less than three supervisors in ten (29%) said that merit pay worked well as a motivator of employees" (Ibid.).

This is a study which assessed the impact on employees, of various parts of the Civil Service Reform Act of 1978. Five federal installations were involved in this study: headquarters and region 11 of the Environmental Protection Agency; headquarters of the Mine Safety and Health Administration (MSHA) and two field operations of the agency centered in Pittsburgh, Pennsylvania. The methods used to garner needed information in this study included "unstructured and semi-structured interviews with nearly 300 employees; questionnaires administered to employees at each site at least twice, and documentary data from the agencies, the U.S. Office of Personnel Management, and various other relevant sources.

At the Mine Safety and Health Administration, the study examined implementation and operation of merit pay and focussed on "attitudes of merit pay employees toward merit pay, performance appraisal, and performance standards." Face-to-face interviews was used to elicit information from all
MSHA Senior Executive Service (SES) employees, a sample of merit pay employees, and key departmental planners of the CSRA. Relevant information from questionnaire data gathered from MSHA in 1980 and 1982 was used, as well as relevant documents from the agency. In the section of the study dealing with the first year results of performance appraisal and merit pay in MSHA, data consisted of responses to questionnaire administered in 1982 at three MSHA sites. Respondents consisted of only employees in grades 13 and above. Interviews with SES and merit pay employees as well as documents from the sites was also used in the analysis.

At the EPA, data used in analysis consisted of information from questionnaire from EPA sites in 1982. As in MSHA, the questionnaire was limited to EPA employees of grades 13 and above.

Very few employees in all sites perceived merit pay to have had a significant positive effect on employee motivation or organizational effectiveness.

This is a third-year report of a five-year projected study of, among other things, the organizational effectiveness of the Civil Service Reform Act of 1978, and employee reactions to it. It was begun in 1980 and "projected for completion in 1984, with interim reports in September of each year. This is the interim report for the third year covering events from August, 1981 to July, 1982. It focuses on six aspects of the Act, namely, performance appraisal, merit pay, the senior executive service, employee relations, labor-management relations, and delegated authorities. Organizations studied include offices of the department of Housing and Urban Development, the logistics command of the U.S. Air Force, Veterans' Administration, and the Internal Revenue Service. The method of study used encompass continuation and extension of interviewing, questionnaire survey completed by "more than 2700 federal workers in the five sites during January and February, 1982, examination of records and documents relevant to CSRA implementation and its effects, observation of the research efforts in years one and
two which were primarily devoted to site selection, initial orientation and familiarization, planning, and the collection of "baseline data to document the state of these organizations prior to the main thrust of CSRA implementation." With regard to merit pay, baseline data for 1980, 1981-1982 showed that employees' attitudes at these study sites were negative and a majority would prefer to be exempt from the system.


One of the hypotheses examined in this study was: "Teachers in merit pay schools have a higher degree of motivation than teachers in non-merit pay schools." The sample consisted of 525 public secondary school teachers and 516 public primary school teachers in merit pay and non-merit pay schools respectively. These included schools in seven states: namely, Arizona, California, Illinois, Nebraska, Oklahoma, Texas, and Vermont. The measurement of motivation instrument developed by Martin Patchen was used. A total of 1041 questionnaires were sent; 603 were returned (269 from
teachers in merit pay schools and 334 from those in non-merit pay schools). The t-test statistic was utilized in the analysis of data. Results indicated that there was "no significant difference between the groups in terms of motivation". This led the author to conclude that "money, as represented by merit pay, is not a significant factor in increasing motivation among teachers."


For this study, merit pay principals were identified from the literature while non-merit pay ones were identified from Patterson's (1982) "American Education." The correctness of each of the lists was confirmed by correspondence with 110 superintendents in 26 states. This confirmation process yielded a final total of 69 merit pay high school principals and a matching 69 non-merit pay principals selected from similar geographical locations. 108 responses were received from the 138 principals. These responses were analyzed using median and chi square Statistical Package for Social Sciences (SPSS) analysis system. One
of the findings was that there was "no significant difference between merit pay and non-merit pay principals in terms of their morale." The author concludes that "merit pay does not detract from nor enhance the morale of secondary school principals."


This study involved all but one community college system in Illinois. Questionnaires were sent to the 52 colleges within the 39 state systems participating. 15 or 39% had merit pay plans for non-teaching professional staff while 61% didn't. Among the numerous findings of the study was that "merit pay plans in Illinois community colleges do not appear to be having a significant impact on overall college operations."


Peer merit pay is an approach that places the responsibility for merit pay eligibility determination on the
members of the group themselves. In 1987-1989, the University of Maine's contract with faculty members had a provision for peer merit pay. Faculty members were limited in their discretion to devise any system for evaluating and rating themselves only by the proviso: that "awards could not be equitable or across the board." The purpose of this research was to see if the program was efficacious. Both qualitative and quantitative instruments were used to elicit relevant information from policy makers (N = 14) and faculty (N = 265). Qualitative data were content-analyzed while quantitative data were statistically analyzed using mean scores, cross tabulations, correlations, and multiple regression. Results indicated that the plan had not succeeded in increasing faculty productivity. Additionally, the researcher observed that "neither policy makers nor faculty members felt that the institution had been significantly affected as a result of the policy."

Michael L. Abels (1989), found in his study, "Merit Pay and Performance Evaluation: Enhancing Employee Motivation and Accountability in Municipal Government," that, "the financial
reward offered by merit pay will not, standing alone, provide the motivation necessary to justify the system." This claim is supported by the results of a two-year study of the efficacy of merit pay in Defiance, a mid-sized city in Ohio with a workforce of 140 people. The study, conducted after merit pay had been in place for two years, found that 70% of the employees were not motivated by the merit pay incentive.


The authors examine the merit pay plans of six selected school districts which had used the concept "successfully for at least six years." The purpose of the study was to gain insight into how those merit pay plans "worked, and why, and to what extent" (p. 8). Responses to questions were chiefly elicited through interviews, discussions, and follow-up interviews with scores of teachers - both meritorious and non-meritorious -, principals, central office administrators, and local school officials. Local documents related to the merit pay program of each district were also examined. Content analysis of responses did not
show any evidence that these plans appreciably or consistently improved teacher classroom instruction or performance. In spite of this, these programs continued to survive. This was because the plans did not emphasize improvement of the classroom performance of teachers. Rather, merit pay was portrayed as extra pay for extra work. This extra work was typically non-instructional.


This study analyzes, among other things, the impact on teachers of four performance-based incentive programs typically subsumed under merit pay. The findings of the study indicate that "merit pay, as implemented in these four districts falls short of its promise of motivating improved performance..."


In this study, the author identified three indicators of workplace motivation:- (1) aspirations
concerning one's own job standards which relates to the desire to excel in one's work, (2) degree of desire for personal growth in one's work, and (3) the degree of pride taken in one's work. He proceeded, through numerous surveys which included a panel study involving over 400 state employees throughout the Washington state workforce. Surveys elicited the "sentiments" of these employees on a host of organizational and workplace concerns including the workplace motivation indicators mentioned above. This was done prior to the introduction of a new performance appraisal process and after, and covered the period from April-May, 1978 to December-January, 1980. This was in order "that a clear reading can be taken on individual level changes brought on by the introduction of the new performance appraisal process. Single questionnaire items on a multiple choice-like format were used to elicit responses regarding job standards (desire to excel), and the desire for personal growth. Responses regarding pride-in-work were elicited through a five-point Likert scale running from strongly disagree, through neither agree nor disagree to strongly agree. With multiple regression, the author tried to determine the relative impact
upon the above motivation indicators of attitudes regarding compensation, workplace participation, and job enrichment. In other words, he tried to determine the extent to which "compensation considerations are stronger or weaker determinants of workforce motivation than are job enrichment and participation factors." Results showed that:

workplace participation and job enrichment are more salient determinants of motivation than are compensation considerations (both at an absolute level and relative to the pay of peers and colleagues). Workplace participation, in particular, appears to be a most important foundation for employee motivation.

Table I represents the results of the above studies which measured the attitudes and perceptions of employees to merit pay subsequent to actual experience with the plan. Of the 29 studies reported here, only four indicated positive perceptions toward the organizational variables targeted. One plan was perceived to have a negative effect and one showed inconclusive results. In the remaining 23, no effect was perceived. These should add up to 30. This is because one study, that by Siegel, Gilbert (1987): "The Jury is Still
Out on Merit Pay in Government" is counted twice. It showed the "positive effect" on motivation, and "no effect" on organizational effectiveness.
### TABLE I. Studies Indicating Employee Perceptions of the Actual Effects of Merit Pay on Organizational Variables

<table>
<thead>
<tr>
<th>Studies</th>
<th>Sample Size</th>
<th>Independent Variable(s)</th>
<th>Dependent Variables</th>
<th>Positive Effect</th>
<th>Negative Effect</th>
<th>No Effect</th>
<th>Inconclusive</th>
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</thead>
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<tr>
<td>O’Toole, Samuel E. and John R. Churchill (1982): &quot;Implementing Pay-for-Performance: Inaugural Experiences&quot;</td>
<td>Unspecified/Region X of the EPA</td>
<td>Merit pay</td>
<td>Motivational, organizational effectiveness</td>
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<td>U.S. General Accounting Office: A Case Analysis of Title I Merit Pay in Three School Districts</td>
<td>Departments of Agriculture, Housing and Urban Development, and Navy</td>
<td>Merit pay</td>
<td>Employee reactions</td>
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<td>Paine, Nancy Howard (1990): Motive Pay and The Affective Well-Behaved of Teachers</td>
<td>15 teachers from 10 schools</td>
<td>Merit pay</td>
<td>Teacher performance</td>
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<td></td>
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189
<table>
<thead>
<tr>
<th>Reference</th>
<th>Publication Date</th>
<th>Citation</th>
<th>n</th>
<th>Result/Effectiveness</th>
<th>Notes</th>
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<td>The Institute for Social Research, University of Michigan, Ann Arbor (1983)</td>
<td>Organizational Management of the Effects of Civil Service Reform</td>
<td>2700</td>
<td>Merit pay</td>
<td>Employee attitude/performance/organizational effectiveness</td>
<td>G</td>
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<td>Ehl, Gerald James (1985)</td>
<td>The Faculty Merit Bonus Plan in South Dakota’s Public Colleges and Universities</td>
<td>254</td>
<td>Merit pay</td>
<td>Motivation</td>
<td>G</td>
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<td>Hancock, Joseph Ray (1983)</td>
<td>Merit Pay for Non-Teaching Professional Staff in Illinois Community Colleges</td>
<td>52 Community Colleges</td>
<td>Merit pay</td>
<td>Organizational effectiveness</td>
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<td>Clifford, Mary Patricia (1988)</td>
<td>An Econometric Analysis of Merit Pay for Teachers</td>
<td>Unspecified</td>
<td>Merit pay</td>
<td>Student achievement; teacher effort</td>
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<td>Title</td>
<td>Sample Size</td>
<td>Pay Type</td>
<td>Other Variables</td>
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<td>Frese, Larry E., Robert W. Mangel, and Robert T. Grant (1983): <em>Merit Pay: A Research-Based Alternative in Tucson</em></td>
<td>School districts, number of teachers unspecified</td>
<td>Merit pay, other rewards</td>
<td>Motivation</td>
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<td>Lovrich, Nicholas P., Jr. (1992): <em>Merit Pay and Motivation in the Public Workforces: Beyond Technical Concerns to More Basic Considerations</em></td>
<td>Unspecified</td>
<td>Merit pay</td>
<td>Motivation</td>
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- Unpublished doctoral dissertation
- Effect on motivation was positive, but minimal

In the following pages, I give a brief description of each of the seven studies which report the effect of merit pay not as, or from employee perceptions, but rather, more as evaluational "conclusions" from available information."

**Morrow, Sharon Yvonne (1992): A Study of Student Achievement Results Using Selected Teacher Pay-for-Performance Models (Teacher Performance).**

The author set out to find out if incentive pay plans had resulted in any observable impact on student achievement. To see if there were any patterns of observable change in student achievement, eight pay-for performance
plans were selected as follows: (1) three state pay-for-performance plans that included achievement as a criterion for awards of merit. These were from Arizona, South Carolina, and Utah (2) three state plans not using student achievement as a measure of teacher performance, and (3) two local district merit pay plans from Seiling, Oklahoma, and Fort Bragg, North Carolina. Analysis of data showed that, in every pay-for-performance examined, there were positive student achievement gains.

Tulli, Dennis J. (1991): An Assessment of Student Achievement Before and During a Merit Pay Program for Teachers of the Penn Manor School District (Pennsylvania).

This research examines student achievement, student attendance, and teacher attendance in the Penn Manor school district of Millersville, Pennsylvania before and during a three-year merit pay program instituted in 1982. Merit determination was based on subjective measures and neither student outcomes nor teacher outcomes were considered in the assessment. For the primary and intermediate grades, student achievement test scores were obtained from the Comprehensive Test of Basic Skills. For the secondary level, achievement in
mathematics was measured by the Cooperative Mathematics Test. Results indicated that student achievement levels increased significantly in certain classes taught by merit teachers throughout the district. However, increases were also noted in certain control groups across the district. Thus the researcher concluded "that the study was unable to ascertain a significant difference in student outcomes between those students taught by merit pay teachers and those students who were taught by teachers who never earned merit awards."


The merit pay plan by which administrators and teachers in the small-city school district of Kalamazoo, Michigan were to be evaluated and rewarded or punished based on their performance was installed in the Spring of 1974 with much eclat. 25% of an administrator's rating was to be determined by his or her supervisor's evaluation while 75% was to be determined by "how well the administrator achieved his or her performance objectives for the year". The performance rating for "building Principals" was to be
heavily dependent on student performance on the Metropolitan Achievement Test. Student performance on the Metropolitan Achievement Test also was to carry the most weight in Teacher performance appraisal which included appraisals by self, pupils, peers, and Principal. Although, "test scores did show improvement, they hardly justified the 'tremendous achievement gains' claimed by the superintendent." Whatever modest gains realized were obscured by implementation problems that ultimately led to the demise of the program.


In this study, the authors focus on two main issues: "to what extent do performance ratings and distribution of awards conform to what would be expected from an effective merit pay system?" and, "to what degree does merit pay influence employees' future performance?" as measured by supervisory performance ratings. The performance ratings, over time, of a random sample of 496 merit pay employees was studied; with recognition award, merit increase, performance award, and percentage of salary
increase as independent variables. Descriptive statistics and logistic regression were employed in the analyses. Logistic regression showed that merit increase is not a good predictor of performance rating from "fully successful" to "outstanding" from 1986 to 1987. Thus, there isn't a positive significant relationship between future performance and prior merit pay receipt.


The purpose of the study, as has been stated above, was to assess the actual effects of merit pay on the overall organizational performance of The Social Security Administration (SSA).

**BACKGROUND:** At the (SSA), the annual pay increases for managers which were heretofore awarded automatically were, in the new system divided into two: one-half going automatically to managers as annual pay increase, and the receipt of the other half made contingent on performance. The amount to be received by deserving managers was to be determined by the distribution of ratings within a (membership) pool to which
the amount for merit pay disbursements was allocated.

**Performance Measures:** Although, a few other performance indicators were used at one time or another, the dominant, and consistently used measures were:

1. the average number of days for a retirement/survivor's claim to be paid or denied [performance measure 1], measured for 53 months from October, 1977 to February, 1982;

2. the average number of days for an aged supplemental income claim to be paid or denied [performance measure 2], measured for 53 months from October, 1977 to February, 1982;

3. the percentage of supplemental income claims with accurate payment documentation [performance measure 3], measured for 49 months from February, 1978 to February, 1982;

4. the percentage of post-entitlement actions that took over 30 days to be settled [performance measure 4], measured for 48 months from October, 1977 to September, 1981.

These four indicators were considered "critical elements", and were available for 2 years prior to the introduction of the merit pay system. This means that failure to meet the standards associated with any one of the "critical elements" was grounds for the denial of merit pay. These indicators
were the focus of the monthly time series observations.

**SAMPLE:** A regional network of 20 local district and branch offices of the SSA was the sample of the study. The number of employees at each of the 20 offices ranged from 12 to 73. The major functions of these offices consist of accepting claims, determining eligibility for benefits, and maintaining records for retirement, insurance, and income supplement programs as required by Titles 11 and XVI of the Social Security Act. The managers in these 20 offices were in the same merit pay pool. A total of 40% of a district office's manager's rating was dependent on the district office's performance on the objective "critical elements". The rest was composed of performance on variable noncritical elements and supervisory evaluations. The resulting subjective and objective ratings were applied to a scale of scores varying from 0 for unsatisfactory to a 4 for outstanding. The following example illustrates the procedure.

... in the fiscal year 1981, the standards for performance measure 1 - the average number of days for a retirement or survivor's claim to be paid or denied - for the Southwest California Area were: level 0, 34 or more days; level 1, 33 days; level
2, 30-32 days; level 3, 29 days; level 4, 28 or fewer days. All of these subjective and objective ordinal scores were then weighted and averaged to produce the overall rating on which the merit pay award was based (p. 265).

For analysis, a statistical model termed ARIMA was used for each time series. Based on the assumption that managers could not be expected to bring about instantaneous or rapid change in organizational performance, the authors hypothesized that "the implementation of merit pay would produce a gradual and permanent change in organizational performance over a period of months ...". The results showed that there was an upward trend in the organizational performance of the SSA prior to the implementation of merit pay, but no obvious change in direction due to the advent of merit pay. In other words, there was no discernible improvement in the trend as a result either of the implementation of merit pay or "the first year rewarding of managers with merit pay". As the authors put it, ... its implementation had no statistically significant, gradual, permanent effect on the general trend of organizational performance in 11 out of 12 tests. These statistical results confirm the pattern
seen in an examination of plots of 4 measures of organizational performance from October, 1977 to February, 1982 (p. 271).

Although, the findings of this study represent 4 years of observation of monthly performance measures, a significant amount of observation one would say, the authors note that:

... even though performance did not improve beyond existing trends, without a control group it was not possible to eliminate the rival hypothesis that performance would have deteriorated without the implementation of merit pay (p. 274).

Another limitation of the study was that much of the study's focus (8 out of 12 tests) was on "the effect of training and the start of the program on organizational performance" rather than on "changes in organizational performance after merit pay rewards were distributed." Only four of the tests examined this latter variable, and even then, "we were more oriented to the question of whether implementation of the program had effects, rather than to possible effects of rewards over a longer period of time."

Instituted in 1979 by the Houston Independent School District (HISD), the "Second Mile Plan" was a merit pay plan designed to reward teachers who demonstrated that they had gone "the second mile". Systemically, the plan focussed on the improvement of instruction, maintenance of staff stability (reduction of turnover), attracting teachers into areas of teacher shortage, and providing rewards to induce teachers to stay. Participation in the plan was voluntary, and depended on the meeting of a set of criteria. Eligibility for merit pay also depended on a set of criteria which included demonstrable student academic achievement and a minimum number of permissible teacher absences. The program resulted in, among other things, increase in the average achievement scores of students in grades 7-12 for the period, August, 1979-August, 1982. The average achievement levels of students in grades 1 through 6 remained steady.
Table II represents the results of the above studies.

<table>
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<tr>
<th>Table II. Non-respondent Assessment of the Actual Effects of Merit Pay on Organizational Variables</th>
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<td><strong>Studies</strong></td>
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<tr>
<td>Morrow, Sharon Yu (1989): &quot;A Study of Student Achievement Results Using Selected Teacher Pay for Performance Models&quot;</td>
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<tr>
<td>Tuff, Daniel J. (1991): &quot;An Assessment of Student Achievement Before and During a Merit Pay Program for Teachers of the Penn Manor School District (Pennsylvania)&quot;</td>
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<tr>
<td>LaBrie, James D., Cindy Klom, Ray Williams (1989): &quot;Pay for Performance in Action: A Case Study&quot;</td>
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<tr>
<td>Pearce, James L., William B. Stevenson, and James L. Perry (1983): &quot;Managerial Compensation Based on Organizational Performance: A Time Series Analysis of the Effects of Merit Pay&quot;</td>
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* Unpublished doctoral dissertation
1. The positive effect was partial, resulting in improvement in the achievement scores of only students in grades 7-12
2. Effect on student achievement was positive but minor

**Discussion**

Twenty-nine of the thirty-six studies integrated tapped respondents' perceptions regarding the employee and
organizational variables targeted by merit pay. The remaining seven were researcher conclusions regarding the impact on these variables. Of the twenty-nine studies, ten asked pointed questions to elicit the needed information. In eight of these, there was a perception of inefficacy. One was inconclusive, and one showed perceptions of efficacy. In the study "Report on the Significant actions of the Office of Personnel Management During 1982", the U.S. Merit Systems Protection Board (1983) asked a sample of 1621 supervisors: "Is merit pay, as it is currently operated in your work group, an effective tool for motivating employees to improve their performance?" A mere 29%, or less than 3 supervisors in 10 answered "yes" (definitely yes, 4%; probably yes, 25%). While 1% said neither yes nor no, the majority of the supervisors (59%) "who said they supervised one or more merit pay employees said merit pay was not an effective tool for motivating employees to improve their performance" (pp. 60-62). This sample of respondents is representative of supervisors of merit pay employees in the federal workforce. In a similar study, "Report on the Significant actions of the Office of Personnel Management During 1983", the U.S. MSPB
(1984) also asked respondents the above question. Responses indicated that "The majority of merit pay employees in all agencies do not see merit pay as an effective motivator. Agency responses varied from 54% to 87%". In the study "Can Merit Pay Systems Avoid Creating a Discord Between Supervisors and Subordinates?: Another Uneasy Look at Performance Appraisal", Gabris (1986) asked 191 respondents comprising 133 ratees and 58 raters to react to the statement: "The merit bonus and the merit council concept have improved morale in your department". About twice as many ratees (45%) disagreed as agreed (23%). 33% of them were neutral. Among raters, 22% were neutral. While only 32% agreed, 48% disagreed. This indicates that even among supervisors, more of them than not did not see any motivational benefits from merit pay. In "The merits of merit pay", Cohen and Murnane also found that "few administrators claimed that merit pay improved teachers' work in classrooms, even though they had the strongest reason to make such claims" (p.31). Although, for example, one administrator, the superintendent of Midland thought there were several ancillary benefits from their merit pay system, he also "emphasized that the merit in-
creases were rewards, not incentives" (Ibid., p.32); and added that, the recipients of rewards were already good teachers and the program had nothing to do with their being so. Besides, "he made no claim that the rewards had inspired better work from other teachers" (Ibid., p.32). In the Gabris' (1986) study mentioned above, respondents also reacted to the statement: "The merit bonus system has really improved your productivity or incentive to be productive". 30% of the respondents were neutral. 27% agreed, and 43% disagreed. Although a greater percentage of raters (40%) agreed, this figure is still low. Besides, 42% of them disagreed, and 20% were neutral. Respondents in the Heneman and Young study were asked: "Are you more motivated to perform well because of the merit award program?" The mean response was 1.2 on a scale of 1-3. In "Performance-Contingent Pay for Federal managers" by Gaertner and Gaertner, only 10% of 451 respondents agreed with the statement: "Merit pay has made this agency more effective by encouraging people to work harder". "Employee Incentives in the Public sector: A National Survey of Urban Mass Transit Authorities" by Deadrick and Scott (1987) is the only study in this group of
studies that generated a positive result. Their findings indicated that "increased employee motivation is the most frequently cited benefit of merit pay programs (84%). Overall, 88% of the merit pay programs are judged to be 'effective' with 47% being rated as 'very effective'. A notable finding is that no Merit pay programs were seen as being ineffective, and only 1% were rated marginally ineffective.

Summary of Major Findings

The results of our modest effort to determine if merit pay can and does motivate employees in the public sector to higher planes of productivity show overwhelmingly that, it is not perceived to be doing so. For whatever it is worth, we iterate here that these results mostly represent the perceptions of those whose motivation and productivity merit pay is supposed to enhance. Viewed in this way, the verdict is subjective. But, it is also noteworthy; given that how employees see the program influences their attitude to it. This attitude, in turn, affects the extent to which the program's potential is actualized.
Limitations of Study

While useful and significant, it needs stating that perception is not always congruent with actuality. Given that, one might wonder: "Could merit pay be having the desired effect and yet be so overwhelmingly perceived as not?" Answering this question requires a study or series of studies of a scope, depth, and rigor that are not only outside the sphere of our present inquiry but also beyond the reach of our resources.

Also, we have not made any attempt in our intergration of studies to achieve a seamless unity or total homogeneity with respect to our selection of studies. Because of the paucity of research in this area, much less focussed empirical ones, our selection has been expediently eclectic; encompassing studies in Education. We have had to, as it were, take whatever we could find that probes the efficacy of merit pay empirically. For this same reason, it has also been virtually non-discriminatory with respect to the methodological rigor or quality of the primary studies. This shortcoming not withstanding, all the studies selected were purposed to examine the efficacy of merit pay directly; or,
indirectly, often through assessment of the impact of performance appraisal which is of course operationally inseparable from merit pay.

These weaknesses may detract somewhat from the scientific integrity of our findings. Its relative integrity however, is reinforced by the findings of the one and, to date, only rigorous study evaluating the impact of merit pay on public organizational effectiveness. This is the research study titled "Managerial Compensation Based on Organizational Performance: A Time Series Analysis of the Effects of Merit Pay" by Pearce, Stevenson, and Perry (1985). While not conclusive, all of these findings suggest that, at the very least, the use of merit pay to motivate public sector employees, improve their productivity, and generally enhance organizational effectiveness and efficiency should be examined more critically. Any device with so little proven merit, if any, and so much failure should be given a long hard look; especially when it is empirically associated with a plethora of organizational behavior problems that have a potentially vitiating effect on both the ability of personnel and the total organization to function very well.
CHAPTER Four

THEORY AND RESEARCH ON THE IMPLEMENTATION OF MERIT PAY

OVERVIEW OF CHAPTER

In this chapter, I shall examine the theory and research on the implementation of pay-for-performance. This examination will begin with a look at the practice of judging others as a social pandemic which has become formalized in organizations through a process termed Performance appraisal and Rating. Without this concept, Pay-for-Performance cannot be operationalized. But, it is also the Achilles Heel of the program; the source of virtually all the knotty implementation problems that make the concept seem inherently unworkable. A working definition of the term as well as a glimpse of its history in the public sector will be presented. Included in this brief historical sketch will be an examination of how it was practised prior to its being refined in the wake of the changes in personnel evaluation ushered in by the Civil Service Reform Act of 1978. These changes have to do with making Performance Appraisal and Rating objective and relevant to work tasks. In other words,
they call for the stipulation of valid measures of employee performance. I shall examine some of the issues surrounding this stipulation of individual objectives in the public sector.

Discussion of merit pay implementation involves much more than the sheer enunciation of objective performance indices. Of interest to us also are a host of other issues associated with both merit pay as a concept and its implementation through Performance appraisal and Rating. Beyond the issue of whether or not merit pay works, what do the empirical studies integrated here tell us about the conceptual and behavioral assumptions underlying the adoption of merit pay? Do these studies contain any information regarding actual employee behavior under conditions of merit pay implementation? What relationship(s) exists, if any, between actual employee (including management) behavior and attitudes on the one hand and the assumptions of merit pay, on the other. The examination of these issues will be the focus of much of my discussion in this chapter. Attention will be given to the difficulty of measuring individual performance and performance differentials among individuals.
Here, factors such as: the effect of non-performance considerations, rater ability and reliability; raters' as well as ratees' perception of the process; overall integrity of the system; and the attendant organizational behavioral changes, if any, will examined.

**Judging Others: A Social Phenomenon**

Judging the behaviors, actions, and even the thoughts of those within the sphere of our interest is an attitude that is impossible to shed. We cannot seem to extricate ourselves from its inexorable push. Nobody is immune from either judging or being judged by others. As Fox (1991) put it:

...I recognize that at some level, judgments about the performance of everyone around us from colleagues to sports heroes are a major and unavoidable part of the flow and flux of everyday consciousness. We are constantly judging and being judged (p. 59).

These judgments are typically subjective, based as they are largely on individually determined standards that quite often represent a web of sentiments, personal values, and affective
orientations toward those being judged or the behaviors in which they engage. Sometimes, unfortunate consequences follow, and hindsight makes the error of our judgment painfully clear. Organizationally speaking, unless there is a rational and consensual coalescence of these disparate standards into measures that represent widely acceptable values, norms, and standards, judgments will always be affected by factors irrelevant to the task behavior being evaluated. Even a cursory examination of how organizations have historically gone about evaluating employee work behavior suffices to validate this observation.

Performance Appraisal in Organizations: A Retrospection

Performance appraisal in government dates back to the efficiency ratings of the early 1800s. One need only look at the Probst Service Report used extensively in the 1920s to appreciate how remarkably irrelevant the rating criteria can be to task performance.

The Probst municipal rating form included such items as "lazy," "too old for the work," "usually pleasant and cheerful," and "drink is one of the principal failings (Mosher &

The performance appraisal process used by agencies prior to the passage of the Civil Service Reform Act of 1978 was somewhat like the amorphous, matter-of-course judgments described above. As McNish (1986) points out:

Before 1978, performance appraisal in the federal government was subjective and was based on personal traits, such as "promptness," "ability to get along with others," "innovativeness," and "attitude toward work." Each agency had its own requirements and its own appraisal forms (p. 42).

Similarly, Ban and Johnson (1984) observe:

... Supervisors usually rated each of their employees on a number of traits such as enthusiasm, dependability, integrity, loyalty and the like, rather than on actual job performance. These traits - which tended to center on the employee's personality, motivation, and attitudes toward the organization - were described in non-quantifiable forms (p. 66-67).

Even factors such as intelligence, judgment, leadership, and loyalty are typically included (Reed & Kroll, 1985).
One of the problems with this method of appraisal is that there is neither unanimity over the precise meaning of these traits nor agreement over how they may be observably and measurably manifested. Reed and Kroll (1985) provide an excellent illustration of this difficulty.

For example, even if loyalty could be defined to everyone's agreement that it was pertinent to the job, how would the supervisor know if the employee was loyal and the degree of that loyalty? Such a trait is not readily apparent, and disloyalty is not overtly expressed (p. 53).

Furthermore, these perfunctory appraisals "were not tied to pay, promotion, job retention, or any other aspect of the position" (McNish 1986, p. 42; Allan & Rosenberg, 1986; Kellough and Lu, 1993, p.52), and almost always resulted in everyone being rated "satisfactory" or higher. As a result, "they were viewed as having little or no significance" (McNish, 1986, p. 42). Displeasure with the performance of the public sector was causally linked to the perception that the public sector does neither encourage excellence nor spur employees to aspire towards it because it does not differentiate poor performers from high performers. As Thayer
(1978, in Ingraham, ed., 1984) observes, this perception was not lost on President Carter.

The President, in pointing out that only 226 federal employees, of a total of 2,000,000 were fired during 1977 for "inefficiency" clearly implied the figure was too low. The Final Staff Report used the phrase "unrealistically low," and Civil Service Commission chairman, Alan K. Campbell concludes that within-grade pay increases have become "automatic for most employees," citing as evidence that only 700 employees were denied them during FY 1977 (p. 32).

Properly used, performance appraisal is supposed to serve purposes and yield information beyond subjective descriptions of employees' traits, or mere labels of satisfactory, unsatisfactory, and the like. It is also supposed to yield information beyond the mere determination of any one employee's fitness or the lack thereof, for pay increase. It should enhance organizational effectiveness.

Projected Benefits of Performance Appraisal

Performance appraisal is conceptually associated with a number of potential benefits to the organization and
the employee. Prudently administered, it can provide management with valuable information about an employee's capabilities while also serving as feedback to the employee about how s/he is doing. For both the employee and the organization, performance appraisal therefore, can be a basis for determining the developmental needs of employees for education, training, etc. (Lee, 1979, p. 143). As Latham (1982) observes,

A properly developed appraisal instrument serves as a contract between the organization and an employee in that it makes explicit what is required of that individual. Appraising performance is necessary because it serves as an audit for the organization about the effectiveness of each employee. Such a control system, based on key job behaviors that serve as standards enables a manager to specify what an employee must start doing, continue doing, or stop doing (p. 4).

It could also lead management to an understanding of what aspects of the organization may need improvement so the abilities and competencies of everyone could be fruitfully and optimally utilized. To this end, considerations that go into the recruitment and selection of
applicants may need revising; jobs may need redesigning; personnel movements may be necessary to facilitate healthy relationships among employees on the one hand, and between employees and supervisors on the other, if for instance, supervisor-subordinate conference reveals that the social environment of the workplace may be inhibiting the performance of some employees. In this way, performance appraisal could be instrumental in facilitating "organizational self-renewal" (Lopez, 1968, p. 54, in Lee, p. 143).

Performance appraisal records also serve the purpose of shielding organizations from litigation. If an employee is dismissed for inadequate performance, the organization will have documented proof of its justification for the dismissal (Latham, 1982; Fox 1991, p. 61). Burchett and De Meuse (1985) have noted that:

... the court recently ruled in favor of a company's decision not to promote an employee because the personnel file contained many specific instances of inadequate performance (p. 36), (Turner Vs State Highway Commission of Missouri, 31 EPD 33, 352, 1982).
But, adequately differentiating the performance of one employee from that of another is one thing. It is quite another thing to base the giving or denial of extra pay, and the making of a host of personnel decisions on such differentiation. Doing this requires some justification based on objectivity. According to Latham (1982),

uniformity and objectivity are mandatory for maintaining feelings of equity among employees particularly when the function of the appraisal is to motivate them through recognition, promotion, etc.. Uniformity and objectivity are also a "must" when monetary rewards are tied to performance. A minimum requirement for money to serve as a motivator is for employees to believe that their performance is being recorded objectively by management (p..).

Such objectivity would require the development of measurable standards of performance for every employee. This is where we begin to run into all kinds of knotty problems. Pearce and Perry (1983) have concluded that "the federal merit pay fails as a motivational program largely because of difficulties in the performance appraisal process" (cited in Kellough and Lu, 1993, p. 49).
Implementation: The Achilles Heel

Establishing Performance Indices

For one to perceive a linkage between one's performance and one's merit reward or denial of same, one has to know the criteria or standards on which one's performance was appraised and deemed meritorious or not. Thus, Performance appraisal has to begin with the determination and description of what constitutes "excellent or optimal" performance in different work situations where one's performance might be appraised. According to Latham (1982), "the core of the performance appraisal process is the definition of effective employee behavior" (p. 3). It is an indispensable step in the effort to provide the objective justification just mentioned above. It is the first step in the series of activities which culminate in the award or denial of merit pay; in promotion, reassignment, demotion, retention; in the determination of individual personnel needs for training, education, and disciplinary action (Lee, 1979; Thompson (Ed.), 1979; Brown, 1982; Ban & Johnson, in Ingraham, 1984). This calls for not only that measures of performance be stated in objective terms, but also that employees be aware
of what they are.

This is perhaps why the Office of Personnel Management requires agencies to make "to the maximum extent feasible the accurate evaluation of job performance on the basis of objective criteria related to the employee's position" (Brown, 1982, p. 74). Objective criteria here refers to job behavior or task performance related to organizational functions toward the accomplishment of some stated goals. But, doing this has to be predicated upon the existence of clear and measurable organizational goals and objectives.

A number of factors makes this problematic, especially in the public sector. These factors are divisible into (1) the nature and complexity of public sector goals; (2) the limitations on the authority of public sector executives, and (3) the shorter time horizons of public agencies (Downs & Larkey, 1986; Allison, Graham T., in Lane, 1994).

**Problem Number One: The Nature and Complexity of Public Sector Goals**

In the private sector, stating goals and objec-
tives in measurable terms is, it is claimed, simpler. This is primarily because, measures of organizational effectiveness are, in the private sector, much more amenable to quantification in terms of, say, number of goods sold, quantity of manufactured goods, percent return on investment (Halachmi & Holzer, 1987, p. 84); liquidity ratios, profitability ratios, activity ratios, leverage ratios, etc. (Kelly (ed.), 1988). In the public sector, no such bottom-line measures exist; and so, objectives are inherently more difficult to specify in easily measurable terms (Holzer & Halachmi 1988; Halachmi and Holzer, 1988; Kelly (ed.), 1988).

Public organizations, as operational arms of government strive to translate into reality, the often noble political, social, economic, and cultural values and aspirations and ideals sought by the people and expressed or implied in constitutions, statutes, laws, executive orders, traditions, norms, etc.. By values here, I mean

the ideas that are considered to have intrinsic worth or desirability and that are the basic standards and principles that guide action (Gortner, Mahler, & Nicholson, in Lane (ed.), 1994, p. 205).
Typically, these superordinate goals and the values underlying them are conceptually simple, and admit of a measure of specificity and clarity. For instance, harmonizing race relations, eliminating homelessness and poverty are values and goals. Conceptually, they are simple, clear and specific. But, operationally, they are too broad, complex, and difficult to break down into discrete components for the purposes of goal accomplishment. Often, the result is legislative vagueness. As Robert B. Reich (1994) points out:

Non-elected public managers at the higher reaches of administration - commissioners, secretaries, agency heads, division chiefs, bureau directors, - rarely can rely on unambiguous legislative mandates. The statutes that authorize them to take action are often written in vague language, unhelpful for difficult cases of a sort that the legislative drafters never contemplated or did not wish to highlight for fear that explication might jeopardize a delicate compromise. The legislators may have had conflicting ideas about how the law should be implemented and decided to leave the task to those who would be closer to the facts and circumstances of particular applications...Or they may simply have wanted an administrator to take the political heat for doing something
too unpopular to be codified explicitly in legislation (p. 114).

For these very reasons also, the performance of certain public agencies in what they do, frustrates any attempts at measurement (Kellough and Lu, 1993, p.49). Downs and Larkey (1986) ask:

There is also the matter of how goal attainment and subordinate performance can be measured. One of the things that has long frustrated attempts to evaluate the performance of federal agencies such as the State Department, U.S. Information Service, and the Department of Commerce is that it is extremely difficult to measure the extent to which they are accomplishing their goals. How does one quantify successful goal attainment for the State Department? The decrease in the number of diplomatic protests? The rate of retention of foreign service officers? The increase in pro-United States attitudes among foreign countries? The balance of trade? The absence of war? All of these? If so, how should they be weighted? The problem is classic and vexsome (p.44).

Quite often, public agency goals are conflicting, even antagonistic (Kellough and Lu, 1993, p.49). We want to
eliminate poverty, achieve energy independence, eliminate waste, strengthen the economy, reduce industrial pollution, permit the production (even subsidize it) and use of tobacco while waging a war against lung cancer; all, without running the risk of inadvertently killing the goose that lays the golden eggs.

Quite often too, the attainment of these goals defy our ingenuity and skill as a people. Admittedly, some of these problems result from the fact that nobody, in government or not, actually knows how to accomplish these broad, complex, value-laden goals within the ambit of extant philosophical, political, economic, social, and cultural framework that is largely regarded as sacrosanct. Unless one knows precisely how to accomplish a given goal, one cannot break down the processes to their irreducible components, a factor which is so necessary for an accurate determination of individual contributions to the whole. These make the adoption and operationalization of private sector efficiency conceptualizations problematic in the public sector.

In an attempt to overcome this problem, Kelly (1988) points out that, some productivity experts (Greytak,
Phares, & Morley, 1976; Burkhead & Hannigan, 1978; Hatry, 1978; Hayward, 1976) have suggested that the direct output of organizations be used as productivity measures rather than the consequences or values sought. For instance, according to this line of reasoning, "the number of arrests made by a police department is a direct output, while having safe streets at night is the desired outcome or consequence" (Kelly, 1988, p. 9). As the argument goes,

. . . the police can control the number of arrests they make . . . they cannot force citizens to report crimes or to be witnesses in court. Doctors can vaccinate children against diseases but they cannot ensure that children wash their hands before eating, or do not drink contaminated water, or eat junk food and lead from paint or window sills (Ibid., p. 9).

This echoes the observation made clearly in the literature that, employees feel that, they do not have control over whether or not they meet objectives. (Kelly, 1988; Silverman 1982, p. 30). It is therefore only fair to evaluate them - and all public employees - on direct, measurable outputs that are within their locus of control. It might be fair to public employees; it might also satisfy
those for whom, even such simplistic productivity and efficiency indices are a sufficient gauge of public sector performance. But, it is the kind of thinking that would invariably lead to an emphasis on simple and, most likely, quantifiable and easily measurable objectives. For instance, in the area of law enforcement, this could degenerate into an emphasis on the issuing of traffic tickets, the making of arrests, and the speed of prosecution. Neglected will be activities such as informal community contacts a la Sheriff Andy Griffith of the famed Andy Griffith show. Although, such informal contacts may do a great deal to foster understanding between law enforcement and the community, its benefits to society tend to be deferred. The educational system provides another excellent example. It has been observed that the advancement of our civilization rests in no small measure on the capacity of our educational system to generate through research, knowledge that can be used to meet society's challenges and to enhance the quality of life for all. This takes time, patience, commitment, and tenacity over the long haul. Such an outlook is at odds with a system that encourages focus on quick and measurable results. Thayer (1990)
asks:

Take, for example, the typical sabbatical year of a University professor. She may produce a book, even one worth reading, but this will remain unknowable for perhaps two additional years. How should a dean deal with the "merit pay" increase for this absent professor? At a time when innumerable observers are virtually begging government and business to move toward "strategic" and "long-term" planning while abandoning overemphasis on "short-term results, "merit/bonus" systems are decidedly backward steps (pp.73-74).

In a world where knowledge is uncertain (Thayer, 1987), oftentimes, the most prudent path to the realization of the various aspirations, values, ideals, etc., which people share, cherish, and/or hope for are not clear in advance of action. Thus, limiting our capabilities for effective action in the service of idyllic, but, remote ends, in favor of behaviors that bring immediate and measurable gratification is myopic. Its effect becomes clearer when we consider these questions by Halachmi and Holzer (1987):

... in the public sector can we say that a police officer performs better if he patrols at a faster rate, but makes relatively few informal community
contacts at that speed? If he issues more
summons at the expense of other more
important activities? If he makes more
arrests which may not survive a first
judicial screening? (p. 82).

In their examination of the implementation of pay-for-
performance in Region X of the Environmental Protection
Agency, Daniel E. O’Toole and John R. Churchill (1982) fur-
ther highlight this problem. They put it thus:

Recognition of the qualitative dimensions
of jobs surfaced as a problem during
implementation of pay-for-performance.
Initially, performance appraisal empha-
sized quantitative job dimensions. Experi-
ence with the process led Region X admin-
istrators to insert some concern for
qualitative dimensions into the final
performance evaluation for 1980. Agency
officials found that heavy reliance on
quantitative factors does not adequately
represent management jobs. However, they
are uneasy about this accommodation
because they are not sure how they can
include qualitative job dimensions and
still retain an objective process (p. 20).

Scholars who have examined this issue seem to be
asking: Are we to set our sights lower, relinquish our cher-
ished hopes and desires for a society characterized by jus-
tice and equity, equality of opportunity for all, etc. be-
cause we do not quite know how to reach such a state of
existence, may not reach it in a certain time-period or,
cannot quite state in advance of action how we are going to
get there and settle instead for what is easily achievable or
measurable? (Thayer, 1987; Sylvia, 1989; Downs and Larkey,
1986). Their answer of course is a resounding No! Citing the
Committee for Economic Development (1979, p.10), Kelly (1988)
points out that:

In the Democratic system of the United
States, government promotes and protects
the private enterprise system and the
liberty, pluralism, and individuality
that is associated with that system.
Neither the government nor the economic
system are ultimate ends in themselves.
Rather, each is a means to attain other
valued ends (p.1).

This observation is particularly characteristic of
government. Public goals and values "are not chosen on the
basis of what can be done, but rather, on the basis of what
should be done" (Downs & Larkey, 1986). This is an important
distinction between private sector goal definition and public
sector goal orientation. Private organizations typically
define their mission and determine their goals on the basis
of their determination of the existence of a need or desire for certain products or services, usually of a tangible and quantifiable nature. According to Perry and Porter (1982, p.91), this is what Buchanan (1975a) referred to as a lack of goal crispness in the public sector. Buchanan "argues that governmental organizations pursue diffuse and conflicting goals, quite unlike the tangible and relatively more specific goals of business organizations" (Ibid., p.91). While significant, this issue of the nature and complexity of public sector goals is not the only problem. There is more to the nature of public sector work that makes any comparison with the private sector inappropriate and the adoption of private sector techniques rather inapplicable. In the public sector, efforts to realize even the objectives that are fairly precise and measurable, are frequently limited by factors peculiar to the environment of public sector organizations.

**Problem Number Two: Limitations on Executive Authority**

The goal orientation of public sector organizations goes beyond normative deference for substantive values. It
also includes deference for such procedural values as are put in place to circumscribe executive discretion in order to ensure sensitivity to Regime values (Rohr, 1978) and especially, individual rights. Gortner, Mahler, and Nicholson (1994) express this limitation thus:

...we may fail on occasion to recognize that the effort to execute the law according to structures and processes established by law may cause great difficulty for bureaus. The most obvious example of this difficulty is seen in law enforcement's attempt to control organized crime, where the strict limits placed on surveillance and collection of evidence and the broad interpretation of individual rights create problems for the police. Derided for not doing a better job of controlling organized crime, police officers also work under procedural proscriptions, strongly ascribed to by most citizens, that limit their ability to control that crime. Law enforcement must find a way to meet the goals established for it by society while staying within the procedural limits placed on it by that same society (in Lane, 1994, p. 195).

Goals that are inherently broad and encompassing are also inherently complex. Because public sector goals
encompass a variety of values, efforts to attain them frequently necessitate a great deal of coordination with the efforts of other agencies. This introduces an element of uncertainty in implementation, making it difficult to determine in advance of action what needs to be done, while also imposing an appreciable degree of limitation on the authority and ability of any one executive to accomplish his/her objectives as planned. According to Downs and Larkey (1986),

A second source of limitations on authority is the overlapping responsibilities of other government institutions and agencies. Through the budgetary process and judicial review, legislative committees and courts often have a major input into the character of program design and operation. Moreover, a host of different agencies are often involved in the same area, which causes numerous problems of coordination. In their classic study of the problems associated with the implementation of government programs, Jeffrey Pressman and Aaron Wildavsky (1973) described how the Economic Development Administration found it necessary to coordinate with literally dozens of government agencies at various levels in trying to set up job development programs in Oakland, California (p. 46).
In the public sector, more than in the private, goals and priorities shift in response to shifting political realities and priorities. This can, and does, lead to what Perry and Petrakis (1987) have termed "invalid performance contracts." This results when performance contracts no longer have any functional relationship to politically changed organizational objectives. Wholey (1987 (ed.)) does not seem to see much of a problem with this. He agrees that the definition of an organization's or program's performance may change in response to changes in the organization or program or the bureaucratic environment, but adds that:

Since performance measurement - especially measurement of outcomes - tends to be costly, agreement on potential measures of organizational performance need not signify agreement on whether, how often, or how precisely to measure a specific aspect of organizational performance (p. 180).

But, to measure any one individual's contribution to the accomplishment of the "changed organizational performance" especially for the purposes of distributing or denying
rewards, agreement on what are the new and emergent measures of performance is needed. Otherwise, distinctions in performance across the board becomes a matter of subjective determination fraught with enormous potential for disagreement, with all its attendant organizational behavioral problems. On the other hand, establishing new performance indices for individuals in response to changes in goals and performance requirements, and securing agreement on such indices make an already time-consuming, costly, and tedious process even more so. Public sector program executives can do pretty little to minimize such changes and have the degree of "goal stability" that they might need to demonstrate substantial productivity (Perry and Porter, 1982, p.92).

Program implementation in the public sector is also hamstrung by another kind of limitation. This is the limitation imposed by the short-time perspective of elected political officers. It is a limitation inherent in a political setup such as ours where tenure in office and commitment to programs are generally contingent on the vicissitudes of the political climate. Next I shall examine this factor and its implications for public sector goal attainment and
measurability of employee performance.

Problem Number Three: Shorter Time Horizons

There are enough problems already in government; with the flux of strategic choices and programmatic changes inherent in the American political system. Decisions concerning the adoption, continuation, or the cancellation of policies and programs follow changes in political leadership. The source of this flux is rooted in the system of government informed by a corpus of political philosophy encapsulated in certain constitutional principles. Although, it has some salutary political, and socio-economic effects on the governance of the nation, it has some rather undesirable consequences. One of these is that it encourages shorter time horizons. Downs and Larkey (1986) offer this comment:

The short tenure of most elected executives in the United States means that top public-sector managers must work quickly. Programs that develop slowly may be overturned by the next political administration. The treatment of Carter's environment and consumer affairs programs by the Reagan administration is a good recent example of this. Another reason offi-
cials must act quickly is also 'political' in nature. Only quick results can help solve the electoral problems of the officials who appoint these managers. Unless voters can be convinced that a new program has 'generated results', it is useless as evidence for maintaining tenure in office (p. 48).

It needs pointing out here the observation that budgetary cuts by the Reagan administration helped undermine Merit Pay's chances for success.

The discontinuity that results from this way of doing things makes the determination of the efficacy of most any government programs difficult. Merit pay, with its concomitant requirement for measurability of performance exacerbates this political and civic penchant for quick results not always in the long term interest of the society.

In light of the above observations, it is not difficult to see why it is problematic to measure the productivity of a given government agency much more individual contributions to that productivity, in an enterprise where goals are complex and frequently shifting; and the means to their accomplishment are, much more than in the private sector.
circumscribed by statutory and constitutional considerations for justice and equity; an aspect of what Ban and Ingraham (1984) refer to "...the traditional public personnel values of equity and procedural uniformity" (p.2). Empirical research shows that these difficulties are real and that they hinder the successful implementation of merit pay.

Even in situations when goal vagueness is not an issue such as in the school system where quality teaching is the focus, the problem is also present. Cohen and Murnane (1985) point out that, in the school system, "deciding what is meritorious is of course a long-standing sore point in merit pay..." (p.14). What is quality teaching in terms that are observable and measurable? In their examination of merit pay practices in selected school districts, Cohen and Murnane (1985) found that:

The chief complaint was that schools found it difficult to devise defensible criteria for meritorious teaching. The earliest advocates of merit pay conceded that there was little consensus on how quality teaching might be defined, ...and only weak means for measuring any conception of quality. But researchers dove into these issues with a vengeance in the 1920s and 1930s, and produced a small of studies designed to identify the
components of quality in teaching. This work was a great success in one area: many different approaches were devised and tried, including everything from supervisors' subjective ratings to detailed research on teachers' classroom behavior. But in another sense these efforts were a dismal failure. Because they measured so many different things, the instruments only reflected the diversity of opinion about what good teaching was, and how it could be measured. The problem of a lack of any measures of teaching quality was supplanted by a babel of conflicting voices about what the right measure was (p.4).

Following is a fuller examination of this research on the shortcomings of merit pay implementation. According to the Institute for Social Research (1982)

Merit pay systems are widely used for managers in private sector organizations as incentives for good performance. Available evidence from this source indicates that outcomes such as pay raises and promotions will motivate high job performance, but only if they are important to the individual and if they are seen by that individual as being directly tied to performance...The success of the CSRA merit pay provisions depends, therefore, on the degree to which participants actually perceive a performance - reward linkage to exist, how well they understand the
system, and how much value they place on pay and any other positive outcomes of the system (p. 240).

The above observation raises a number of issues that are critical to the successful implementation of merit pay. The individual has to perceive a linkage between pay and performance and, s/he has to understand the system. To this list should be added the individual's perception about the impact of merit pay on other values that s/he may have or desire. Examination of these issues will be preceded by an examination of workers' attitude to the idea of merit pay in the first place. Here, we shall see how implementation issues such as the ones just discussed above - the difficulty of stipulating valid objectives for individuals and measuring their attainment - affect workers' attitude toward merit pay.

**Workers' Attitudes Toward The Concept of Merit Pay**

The literature suggests that workers are typically not opposed to the concept of reward for excellence. On the contrary, they are generally in support of it (Taylor, Ruth L. et. al., 1991; Say & Miller, 1982; ). My
own survey of the literature shows that instances of worker objection to the concept in and of itself outnumber instances of support. However, several authors claim that the literature shows that workers generally, like most everyone else, do not object to the concept of merit pay. On the contrary, they overwhelmingly support it (Shaffer, Hopkins, & Yale, 1980, in Daley, 1988, p. 18). Presumably, the difference may be that some surveys indicate worker intuitive acceptance of, or cultural receptivity to the idea, while others reflect perceptions influenced by vicarious knowledge of the problems of the idea in practice. I found some support for this view (The Institute for Social Research 1982; Provenzo, et al., 1987). In their Report on the Significant Actions of the Office of Personnel Management (1983), the U.S. Merit Systems Protection Board noted that 88% of 1272 respondents answered "Yes" to the question: "In general, do you support having your pay based upon how well you perform?" Only 8% answered "No." In spite of this significant support, "only about one in four (26%) say they would voluntarily choose to be covered under their agency's merit pay system" (p. 6). The pre and post-program study by Heneman and Young
(1991) has some very interesting findings. In the pre-program phase, there was a mean response of 3.5 on a scale of 1-7 to the question: "Overall, how desirable do you think the merit award program is?" But, in the post-program phase, the mean response to the same question was only 2.7 on the same scale of 1-7. This drop signifies the disillusionment that actual experience with merit pay implementation typically heralds. Spaedy (1985) found that:

only 33.57% of the respondents (practicing Missouri teachers) favored merit pay; however, up to 80% of the teachers would be interested if the plan met their approval (parentheses, mine).

This seems to suggest that employee attitudinal orientation to the concept of merit pay could be influenced by implementation considerations. That is, support for the concept could be virtually obliterated by apprehensions over performance appraisal and its probable deleterious consequences in the workplace. Ruth Lesher Taylor et al. (1991) say: "The concept of merit (pay) seems acceptable to all, but implementation problems seem to override the concept's acceptance" (p. 62). Similarly, Provenzo, et al.
(1987) chime in with:

Nearly everyone of the teachers interviewed in our sample indicated they were opposed to merit pay for individuals. While the idea of financially rewarding those teachers who were outstanding or exceptional in the classroom might have been a reasonable and appealing notion for them, they simply could not imagine any fair way or practical means to accomplish it (p. 21).

Content analysis of their comments showed that their response reflected more a concern over how it can be operationalized equitably than sheer opposition to the concept itself. Be it as it may, when it comes to actually working under such a system, my review supports the observation documented abundantly in the literature, that generally, at best, workers are apprenensive about it. Kellough and Lu (1993) cite Lane and Wolf (1990), for the observation that "because of the problems associated with performance evaluation, such systems often have little credibility among employees" (p. 52). As we shall see in the following pages, the literature shows that workers have superfluous grounds to be apprehensive.
Employee Involvement in Setting Performance Measures

In its guidelines to agencies, concerning the use of performance appraisal in the implementation of merit pay, the Office of Personnel Management (OPM) stipulated that employees be involved in setting performance standards. Such standards, when approved, should also be communicated to the employee at the beginning of the appraisal period. In a GAO study (GAO, GGD-84-1, summary, 1984) 70% of the employees in the department of Agriculture, 76% in the Navy, and only 46% in Housing and Urban Development "said they were involved in setting their performance standards" (Ibid., p.v). The authors also noted that:

Of the Performance standards GAO reviewed that contained the date they were communicated to the employee, 42% at HUD and 14% at Agriculture were delivered to the employee more than 6 months after the beginning of the appraisal period (p. v).

Employee Perceptions Concerning the Objectivity and Validity of Performance Indices

There will be quick assent to the proposition that,
indispensable to the success of performance appraisal are employee perceptions about its validity and reliability (Daley, 1988; O'Toole & Churchill, 1982; Bann & Johnson, 1984). Both managers and subordinates need to perceive the system favorably. If managers view it unfavorably, chances are that it will not receive the attention and effort that it needs to be made fair and perceived as such by those whose performance will be appraised. On the other hand, if subordinates view it unfavorably, again, chances are that its use will result in negative employee reactions that potentially can undermine organizational effectiveness.

Under the provisions of the Civil Service Reform Act of 1978, agencies were required "to establish performance standards which, to the maximum extent feasible, use objective criteria to accurately measure performance (GAO, GGD-84-1 (summary), 1984). In a Biloxi study (Gabris, 1986), respondents were asked: "The indicators developed to assess employee effectiveness were accurate and valid." Only 37% agreed with the statement. 31% disagreed and, 33% were neutral. In an appraisal of merit pay implementation in the departments of Agriculture, Housing and Urban Development,
and the Navy, it was observed that although, there was a notable improvement from 1981 to 1982 in the percentage of agency performance standards containing objective measures, yet, "overall, less than half the standards contained such objective measures" (GAO, GGD-84-1, summary, 1984, p. iv).

My research unveiled instances where employees expressed significant satisfaction with the degree of objectivity in the performance standards developed for them. Gaertner and Gaertner (1982b) found at the MSHA that 70% of all respondents (GS 13 and higher), and 65% of GS 1-12 employees indicated that their job standards accurately represented the most important parts of their job (pp.59-62). However, in these instances, the claim in the literature that performance standards inescapably focus on quantitative job dimensions at the expense of qualitative aspects finds empirical validity. At the Veterans' Administration Medical Centre, the Institute for Social Research found a strong belief among employees interviewed that performance appraisal gave undue and inordinate emphasis to performance indices that were readily quantifiable while ignoring more qualitative aspects of their job. In their examination of the imple-
mentation of merit pay in Region X of the Environmental Protection Agency, O'Toole and Churchill (1982) found that supervisors had to include qualitative job dimensions in their personnel evaluation process because

Agency officials found that heavy reliance on quantitative factors does not adequately represent management jobs (p. 20).

Wholey (1987 (ed.)) makes the same point by saying: "...it will be difficult to capture important dimensions of performance using only quantitative measures" (p. 182). This is because employee behaviors that ultimately enhance organizational functioning, while recognizable cannot be adequately codified. It is much easier to codify proscriptions than it is to codify desirable behaviors. As we have made abundantly clear in our introductory chapter, it is virtually impossible, for purposes of appraisal, to account for all employee and managerial actions that may have facilitated or hampered organizational effectiveness. This is increasingly true as one approaches, in the hierarchy, jobs and positions characterized by functional complexity (Lovrich, 1987; Ross, 1983). Managerial and executive
responsibilities are, frequently, not so amenable to precise
description. Thus, appraising one's contribution to an
organization on the basis of the extent to which one
accomplishes a set of performance indices "paints an
incomplete, black and white picture of employee performance"
(Lanza, 1985, p. 48)

The Importance of Trust

Kellough and Lu's (1993) observations that
"performance appraisal...can never be made wholly objective"
(p.55) and that "ultimately, performance appraisal rests on a
manager's judgment of an employee's accomplishments (p.51)
echoe the conclusions reached by many a scholar in the
literature. As O'Toole and Churchill found in their study of
the implementation of Merit pay in Region X of the
Environmental Protection Agency, the difficulty of adequately
establishing quantifiable performance indices leads to some
reliance on qualitative measures; of behaviors that are
either non-quantifiable or must be left to the discretion of
the employees. This infusion of qualitative measures has two
main implications.
One is that the behavior expected of employees is not all clear. Objectives or performance indices that are not clear undermine effort - performance expectancy and performance - outcome expectancy (Heneman, 1992). Although, and in virtual agreement with McGregor who claimed that supervisors are uneasy with performance appraisal because they find it distasteful, Latham and Wexley (1982) observe that:

managers find the (appraisal systems) troublesome, particularly when they have to criticize an employee personally and put the criticism in writing (p. 1).

On the contrary, there is some evidence that supervisors like performance appraisal because of the control it affords them over their subordinates (Gabris, 1986; Perry, Hanzlick, and Pearce, 1982; Fox 1991, in Ban and Riccucci, 1991). In the present research, I have found that in studies that have sampled the perceptions of supervisors and rank-and-file employees, supervisors have tended to support the system more than rank-and-file members. In the school system, principals and superintendents have tended to support it more than teachers themselves (Deckard, Allan Paul, 1987; Baker, Arlen Leo, 1987; Rotz, Eleanor M.; Helms, Albert Woodrow, 1986;
London, Robert Kirk, 1985). Goals and objectives that are not clear strengthen this control.

The other implication is that it introduces an element of subjectivity in the appraisal and rating of their performance. This, research has shown, undermines performance-outcome expectancy since employees would be unsure about what outcomes attend what levels of performance. Therefore, since infusion of subjective measures of performance is inescapable, an organizational climate characterized by a high degree of trust can arguably, improve or even ensure the confidence of subordinates in a system that gives supervisors a great discretion (Lawler, 1971). But, this trust is lacking (Rosen, 1981; Colby & Ingraham, 1981; Nigro, 1981; Bann & Johnson, 1984; Murnane and Cohen, 1985; U.S. General Accounting Office [GAO, GGD-84-1 Summary, 1984]; The Institute for Social Research, 1982), and trust is critical to the success of any pay-for-performance system. In a few instances, there was evidence of the presence of an appreciable degree of trust between supervisors and employees. For example, in Gaertner and Gaertner (1982), 67% of the respondents agreed with the statement: "Based on my recent
appraisal, I...can trust my supervisor to give me a fair rating next year". But, this is hardly characteristic of the landscape. Generally, employees lack confidence in the ability of organizations to make merit pay and performance appraisal work as intended. Mason, Wilhemina Stone, (1986) found evidence of this in her study.

Many managers "stated that they do not trust the new appraisal systems to reflect good work, and consequently they do not perceive that increased effort will lead to a higher appraisal" (Ross 1983, p. 106). Such pessimism and diffidence do not bode well for performance appraisal. Even in the best of circumstances, the chances for the successful implementation of policies and systems can be undermined if those charged with their implementation are not convinced about their efficacy. This holds true even when the said policies and systems are conceived on solid theoretical grounds, and reflect adequate consideration of the views of those affected. If, as claimed, managers for whom performance appraisal is meant to be, among other things, a source of feedback concerning how they are performing do not think that "increased effort will lead to a higher appraisal", they will
not exert more effort to attain higher ratings to enhance their eligibility for merit pay.

This diffidence shows in the responses of rank-and-file employees regarding who should evaluate their performance. Typically, most employees do not think their supervisors should solely or substantially evaluate their performance (Bommelje, Richard Kevin, 1981). In his study of merit pay in the Central Florida Public School System, Bommelje found that principals and superintendents favored having the principal be the primary evaluator while teachers rejected it. Indications are that employees prefer a combination of supervisory, peer, and self ratings.

Agency disregard for, or inability to objectify measurable standards of performance in consort with employees, employee lack of confidence in the system, and general worker disillusionment with pay-for-performance programs are all manifestations of a bigger problem. This is the problem of establishing a valid and perceptible linkage between reward and performance. It is to this issue that I shall next turn.
Linkage Between Reward and Performance

Impact of Available Merit pay Fund

Even if it were incontrovertibly established that workers valued money to the degree that the adoption of merit pay presupposed, there will still be the issue of the size of the money. It should be remembered that, those theories often cited as grounds for the motivational potency of money also suggest that the reward has to be large enough to produce the desired effects (The Institute for Social Research, 1982; Lawler, 1971, 1973; Gellerman, 1974; Kellough and Lu, 1993). Gellerman contends that monetary awards have to be large enough to make the recipients rich for them to be motivating. While this may be neither desirable nor feasible, informed opinions seem to converge on the significance of making monetary awards meaningful if one were to institute merit pay and reap its potential benefits. As Daley (1967) points out,

...pay – simply the prize must be worth the effort. This is often a serious drawback among public sector merit pay schemes and one that quickly stalked the federal experiment. If pay is to serve as a motivation for large numbers of
employees, rewards should be viewed not only as sizable but as obtainable for many. Neither grand prizes for the fortunate few nor the tossing of crumbs to the pigeons will work (p. 73).

The size of the potential reward takes on even a greater significance as one ponders the observation that: pay as a valent outcome is not the only consequence that determines behavior. There are intermediate consequences that influence the valence of merit pay for employees. Lawler (1971) puts it thus:

. . . The point is that the process one must go through to perform at a particular level may lead to certain outcomes being associated with trying to perform at that level, and this may effect the motivation to perform at that level (p. 109).

These intermediate consequences may be fatigue, the debilitation of unhealthy competition and rivalry, feelings of rejection by a work group etc. (Lawler, 1973). In other words, merit pay may have a positive valence for a given employee, but getting it may not be worth the hassle, as the expression goes. "Is it worth the hassle?" is a question that
may also be invoked as one considers the size of the expected merit pay. The size of merit pay has implications for its valence.

Lawler (1971) warns that:

By far the most common sin committed by organizations is to offer too small, not too large, a financial reward when pay is used to motivate performance. Organizations seem to overlook the fact that as a person's salary goes up, so must the amount of any raise if it is to be meaningful. To be meaningful, a raise must represent some appreciable percentage of the individual's present salary (p. 72).

Gellerman (1974, in Siegel ed. 1974) echoes this point when he says:

...an increment is relative. How an individual may be expected to react to an increase in salary depends on his existing income, his net worth, ...In general, the more a man has or is accustomed to having, the larger the increment must be to impress him (p. 481).

Furthermore, he observes that:

To say that monetary omnipotence is a myth is not to say that money is impotent. Money can motivate: that
is, it can influence action and encourage extra effort, extra creativity, or any other kind of non-routine performance. But it can do this only when the increment or net gain for the employee is large enough (p. 481).

In fact, Gellerman exhorts us to "Make no mistake about it; effective motivation with money is no Piker's game" (p. 482). As has been pointed out already, he contends that, to be motivating, monetary reward must be princely; that is, "it must be used to make men wealthy" (p. 486). But, for a number of reasons, such a suggestion is patently chimerical.

One reason is of course the issue of fiscal and budgetary constraints, as a result of which only a limited amount of money is usually available for merit pay awards. This has been recognized as a major problem in the implementation of merit pay. As Perry (1991) pointed out,

MPS's clearest shortcoming was its failure to establish a demonstrable relationship between pay and performance. This failure is attributable to a variety of causes. One of the chief causes was lack of adequate funding for merit pay (p. 76).

The Civil Service reform Act of 1978 which created merit pay,
requires that "the funds budgeted for merit pay not exceed the cost of the previous system" (Perry, Hanzlik, & Pearce, 1982, p. 6). One implication of this is that,

it places significant constraints on ...the size of the rewards ... diminishes the probable value of a reward to an employee by setting an upper limit on the potential salary gain associated with outstanding performance (Ibid., p. 6).

These observations bring to light the quandary a manager can find himself or herself in as s/he considers how to operationalize merit pay fruitfully. That is, how to distribute rewards so that all or virtually all will perceive the distribution as equitable, in the notorious absence of objective determination of differential merit. Does a manager reward few or many?. From a fiscal and theoretical (Expectancy and Equity theories) point of view, in both the public and private sectors,

only a few employees can be recognized as outstanding performers. When more than a few are recognized, the size of the award becomes so small that, according to expectancy theory, it may not be attractive enough to generate the drive for the extra effort. On the other hand, according to expectancy
theory, when only a few employees are likely to get the merit award, the low probability of getting it would induce the same indifference. The prospect that a manager is likely to find himself in this bind is greater when dealing with a preponderance of very competent and outstanding personnel, or with as great a portion of very poor employees. In both cases, there is little likelihood that too many individuals would be able to out-perform significantly the rest of the group so as to establish a clear case for giving them the merit pay award (Halachmi & Holzer 1987, p. 88).

But, as Brennan (1985) points out, "budgetary allocations are part of prudent management principles and practice" (p.73); adding that:

Budgets are essential because finite limits do exist on dollars available for distribution as pay increases. Even non-profit organizations (with the exception of the government) realize that you cannot survive long if you permit managers to spend more money than income allows. Consequently, employers routinely establish a merit budget to assure that variable pay increases do not exceed certain amounts, usually expressed as a percentage of payroll (Ibid., p. 73).

Therefore, the problem, it seems, is not that there is a
limit, but rather that the limit is unrealistically low. Over and over again, in study after study, employees continue to mention the paltry size of merit awards as a problem which makes an already unpalatable item even more so. In more cases than not, merit pay employees and even their supervisors have observed that the size of the award is too insignificant to be worth striving for (The Institute for Social Research, 1982). This is because the fund is not enough to reward all meritorious performers in amounts significant enough to be objectively meaningful to the recipients. So, "what does management do?"

**Resort to Non-Performance Factors**

Again, Brennan (1985) offers an insight:

> When, however, with all else equal, the number of top rated performers and the cost of their proper merit increases substantially exceed the amounts estimated at budget time, something has to give...This inherent potential conflict is usually resolved in favor of budget. Although, employers all claim that their people are their most valuable resource, they generally prefer to hedge on their commitment to merit pay rather than exceed the financial
budget. The budget is sacred, while people are only human (p. 73).

Specifically, this organizational predelection typically results in a practice termed "forced distribution," described as the process of setting quotas on various summary performance appraisal categories that will be used for merit increase differentiation (Ibid., pp. 73-74). Forced distribution, whether of the "normal" type or the "skewed" variety (Brennan, 1985) is still forced distribution and the number of high achievers is limited by edict rather than by actual performance against individual job objectives. Summary appraisals are modified to meet quota requirements or cash limits (p. 74).

It is a concept that is based upon the assumption that "incompetence" and "competence" are distributed in roughly the same percentages in all relevant groups (Thayer 1987, p.39).

The recently deceased and venerated management expert, W. Edward Demings, is said to have also observed that:
Evidently, there is an effort to fit the people within a section to a bell curve so they can dole out raises and not go over budget (Gabor, 1990, p. 251).

This practice undermines pay and performance linkage. For all practical purposes, perceiving the administration of a merit pay program as objective, fair, and accurate means perceiving a valid and reliable linkage between performance and pay. The two are like both sides of a coin. As Schay (1988) notes:

In order for any merit pay system to work, employees have to perceive a link between performance and pay, i.e. increased financial rewards for high performance and lesser or no rewards for low performance (p. ).

Similarly, Gaertner and Gaertner (1985) observe that:

...for merit-based pay to be effective, it must be tied explicitly to work-related behavior. At the managerial level, this is sometimes difficult, so the actual administration of pay in many organizations is more seniority-based than performance-based, lip service about merit pay notwithstanding (p. 9).

Following their examination of merit pay programs in action in selected public schools, Cohen and Murnane (1985) observed
that:

...none of the merit rating schemes could establish a stable connection between teacher merits and students' performance. Teachers who had high quality ratings did not consistently produce students with high achievements (p. 6).

Haire, Ghiselli, and Gordon (1967) found, as reported by Pearce, Stevenson, and Perry (1985), that:

managerial raises are often uncorrelated from one year to the next, indicating that either managerial performance is quite different from one year to the next - or, what is more likely - that raises are not based on performance but on other, possibly variable criteria (p. 262-263).

Furthermore, Siegel (1987) point out that:

...the GAO observed that several nonperformance factors influenced pay setting, ...ratings tended to correspond to grades in terms of levels of awards (Grade 15 employees highest, 14 next, 13 lowest (p. 6).

and

Reports indicated that agencies also used the merit increases as an opportunity to make "equity adjustments" (adjustments to correct existing inequities in pay between positions ... Agencies gave
smaller or larger increases than those called for by the ratings in order to correct past inequities (Allan & Rosenberg 1986, p. 300).

Sometimes, this limitation in funding forces "managers to alternate rewards from year to year among equally superior performers" (Sylvia, 1989, p. 35). Oftentimes, the result is that only a few people who are deemed high achievers are rewarded while the majority without whom perhaps nothing would be achieved go unrewarded. In fact, some merit pay employees found themselves earning less under the merit pay system than they would have without it (Schay 1988, p. 248).

Succinctly put, these observations indicate that there is virtually no linkage between performance and reward. Merit pay pools, organizational politics, and rater bias are all additional sources of non-performance influence which make this linkage difficult to achieve.

**Merit Pay Pools**

Creation of merit pay pools to facilitate the administration of merit pay programs is the approach used by most agencies. A merit pay pool
is composed of the non-automatic portion of comparability and the within-grade quality step increase money that would have been used to adjust pay under the General Schedule for employees in that pool (U.S. Office of Personnel Management, 1981, p. 79; in Siegel, 1987, p. 5).

and has been defined as the amount of money from the agency merit pay fund targeted for merit pay purposes to be distributed to a defined group of employees within the organization" (Ibid.).

Its use proved to be "a major source of problems for CSRA merit pay" (Jeffrey L. Brudney & Stephen E. Condrey, 1993, p. 130). Besides lumping together personnel from different occupational groups as was sometimes the case, raters were "frequently in the same salary pool as those whom they rate" (Sylvia, 1989, p. 35). This practice has the potential to compromise objectivity. Studies have revealed a relationship between membership in a merit pay pool and actual occurrences of discrepancy in rating and, therefore, the size of merit pay
received by employees. In their study, Perry, Hanzlik, and Pearce (1982) found that:

Payout differed among merit pay pools according to whether supervisor tended to be a low rater or high rater. Employees in pools with supervisor who tended to rate highly received higher merit pay than employees in pools whose supervisor tended to rate lower, though performance in the pools may be similar (p. 9).

In a GAO study titled "A 2 - Year Appraisal of Merit Pay in Three Agencies," evidence was found at the Departments of Agriculture and, Housing and Urban Development (HUD) of management using "pre-established quotas to determine rating distributions for their merit pay pools in 1982, a practice prohibited by OPM regulations" (GAO Study Digest, p.iii). And from Allan and Rosenberg (1986) "...a comparison of the increases within rating categories shows a remarkably normal distribution" (p. 300).

Consider too, the following observations:

and formulas for distributing merit pay varied from agency to agency, with differing increases for employees (GAO 1981, in Siegel, 1987, p. 6).
In the administration of pay pools, rewards for employees rated above average were not always equitable from pay pool to pay pool. Evidence was found of employees who were rated highly satisfactory receiving increases almost twice as large as employees rated outstanding in another pool in the same agency. Also, rules were sometimes violated in pay pool construction. For example, there was evidence of altered ratings to conform to a quota or preestablished distribution (U.S. Comptroller General, 1983, in Siegel, 1987, p. 5).

When these things happen, efforts by management to placate employees sometimes take the form of:

You are the best worker I have, but there is no money left to properly reward you, "or simply an open-ended blank check: "Sorry, I owe you one" (Brennan, 1985, p. 74).

Even though we both know you deserve the highest rating, they won't let me officially recognize you because our quota of top performers is full (Ibid.)

There are also observations which show that merit pay disbursements were, most of the time, neither appreciable in absolute amounts nor significantly indicative of the
differential between outstanding performers and those who were merely satisfactory (The Institute for Social Research. 1982, p. 156). All of these have led to a perception of discrepancy and a pervasive sense of inequity among employees.

For instance, "at the study sites, employees felt that payouts were too small to serve as a motivation for top level employees" (Ibid.).

For some merit pay participants who received an "outstanding" rating, the relatively small amount of their reward compared to those of a "satisfactory" or even "marginally satisfactory" performance made them seriously question whether their effort had been worthwhile (Ibid., pp. 69-70).

...All of this resulted in the feeling for many GMS that merit pay is not itself a justification for extra effort, and that striving to be an outstanding performer does not pay off in dollars (Ibid., p. 255).

Perceptions Regarding Appraisals, Ratings, and Distribution of Merit Awards

In the study Report on the Significant Actions of
the Office of Personnel Management during 1982, the U.S. Merit Systems Protection Board (1983) found that 72% of 1102 respondents answered "No" to the question: "During 1982, was the amount of money paid to good performers in your merit pay pool large enough to encourage you personally to perform well?" Only 12% answered "Yes" (p. 61). In the same study, a representative sample (1,250) of members of the senior executive service (SES) in the federal workforce was asked: "To what extent do you agree that 'there are enough bonuses so that if I perform well, I have a good chance of receiving one'?". 81% disagreed, 10% agreed, and 9% were undecided (Ibid., pp.64-67). Similarly, Gaertner and Gaertner (1982) reported in Organizational Assessments of the Effects of Civil Service Reform that 84% of the respondents at the MSHA indicated that "the payouts from merit pay in 1981 were so small they weren't worth the trouble" (p. 57). Furthermore, only 37% indicated that "there is enough difference between a satisfactory and an outstanding rating in the size of the raise to make the extras effort worth it" (Ibid.), and only 4% of employees (grade 13 and higher) agreed with the statement: "People who deserved a big raise got a big raise under
merit pay" (Ibid.). In their study of the merit pay plans of six school districts, Cohen and Murnane (1985) found that, in spite of the fact that Virginia Beach school district prescribed merit pay eligibility standards that were reasonable in terms of effort and attainability, the number of teachers participating in the plan was low. This was partly due to the paltry size of the merit pay award of which even the administrator in charge of the program said "really doesn't make a big difference" (p. 11). In the Biloxi study, (Gabris, 1986) responses were: disagree, 37%; agree, 31%; and neutral, 32% to the statement: "The monetary award associated with the bonuses satisfy your idea of a fair reward for productive work." He found also that the public employees of the city of Biloxi, Mississippi did "not perceive a linkage between merit pay and employee productivity" (p. 81). In the above study, responses were: disagree, 50%; agree, 23%; and neutral, 27%, to the statement: "The merit bonuses in my department were awarded fairly". The commonest comment made to Prewitt, Phillips, and Yasin (1991) in their survey of Deans of Business schools was

Regardless of one's performance, all
get essentially the same pay increase. The merit pay plan does not motivate higher levels of performance (p. 415).

In the Gaertner and Gaertner study (1982) involving employees at the MSHA, the following observations are noteworthy. Only 31% agreed with the statement: There is enough difference between a satisfactory and an outstanding rating in the size of the raise to make the extra effort worth it. Similarly, in the U.S. Merit Systems Protection Board (1984) study, researchers noted that: "...a majority of employees government-wide (52%) also believe that there is a tendency for supervisors to give the same ratings to individuals regardless of performance" (pp. 3,9). In the study "Report on the Significant Actions of the Office of Personnel Management During 1982", the U.S. MSPB (1983) asked the following questions: "If you work harder in your present job, how likely is it that you will (1). Receive more pay? (2) Be promoted or get a better job? (3) Receive other non-pay rewards? (4) Be recognized as a good performer?" The following responses were elicited from 4897 persons "representative of all employees at all levels of the federal workforce" (p. 37). To
question # 1, 67% responded "unlikely", and 17%, "likely". To # 2, 62%, "unlikely", and 21%, "likely". To # 3, 58%, "unlikely", and 23%, "likely". Only question # 4 drew positive responses - 59%, "likely"; and 27%, "unlikely". These responses do not include "neither likely nor unlikely" and "don't know/can't judge". In the same study, a representative sample (1,220) of members of the Senior Executive Service (SES) in the federal workforce were asked to react to the statement: "SES bonuses are distributed disproportionately to executives at the top of the agency". 27% fell into the "neither agree nor disagree and don't know/can't judge" category. 21% disagreed. The majority, 52% indicated agreement. The study also elicited responses to the statement: "Those who get bonuses earn them". 25% fell into the "neither agree nor disagree and don't know/can't judge" category. 40% indicated agreement and, 36% disagreed. One of the questions that Gilbert B. Siegel (1987) asked respondents in his study involving the U.S. Naval Weapons Center (NWC), China Lake, California, was: "There is a tendency for supervisors here to give the same performance ratings regardless of how well people perform their jobs." Although,
there was less agreement this time, "large proportions of baseline respondents agreed that supervisors did not differentiate well."

At the Mine Safety and Health Administration, Gaertner and Gaertner (1982) made the following findings: only 41% of all respondents indicated that the performance appraisal in their organization in 1981 accurately rated their job performance; 19% indicated that performance appraisal identified people who deserved a cash award; 78% indicated that performance appraisal did not distinguish between the truly excellent performers and the good performers (p.54). At the Environmental Protection Agency (EPA), the findings were similar for the same year, 1981. 51% indicated that the performance appraisal in their organization accurately rated their overall job performance; 27%, that the system identified those who deserved a big raise; and 57% agreed that the system did not discriminate between the truly excellent and the good performers. This latter figure rose to 70% in 1982 (Ibid., pp. 92-93). Furthermore, in their study involving five installations of two federal regulatory agencies Gaertner and Gaertner (1985) found that
only 21% of their sample felt that their performance appraisal system "identified those deserving financial rewards" (p. 12).

Although these are perceptions, there is evidence which suggests that they are a reflection of reality. For instance, according to the GAO (1984, GGD-84-1 [summary]),

Agencies' formulas for distributing merit pay increases varied widely and resulted in differing increases for employees receiving similar performance ratings. For example, all three agencies imposed different maximum limits on the amount of merit pay that could be awarded (p. iv).

Citing the Conference Board study, Appraising Managerial Performance, by Robert I. Lazer and Walter S. Wikstrom (1977), Allan and Rosenberg (1986, p. 309) point out that "managers indicated they would distort ratings of performance if that information had an impact on compensation."

In the private sector, the story is virtually the same. Although there are scattered reports of the success of pay-for-performance programs, there does not appear to be much convincing, and unchallenged evidence of their efficacy.
In their study "Research Results: The Effect of Merit pay Practices on White collar Performance," Kopelman and Reinharth (1982) cite the works of A. N. Nash and S. J. Carrol Jr. (1975); E. A. Locke, D. B. Feren, V. M. McCaleb, K. N. Shaw, and A. T. Denny (1980), and the General Accounting Office (1981) as showing evidential support for the efficacy of output-based plans for productivity. According to Kopelman and Reinharth (p. 31), Nash and Carrol cited the results of five early surveys encompassing some 4,800 studies in their book *The Management of Compensation*. Average increases in productivity after switching from time-based to output-based plans ranged from 29% to 63%, the median increase being 34.5%. Locke et al., in their survey reported an average output increase of 30% for individual incentive plans, and 18% for group incentive plan. The GAO survey reported an average productivity increase of 16.9% for group incentive plans. Kopelman and Reinharth conclude that "These findings (and others) do make a case for the motivational effect of performance-contingent rewards." While not discounting the validity of these findings, it must be stated that the preponderance of observations in the literature indicate that
there are virtually no available studies which offer conclusive support to the claim that pay-for-performance plans are efficacious (Milkovich & Wigdor, 1991). This is largely because instances are rare, if any, where rewards have been demonstrably tied to performance (Cohen and Murnane 1985, p.2).

More recently, Alfie Kohn (1993) cite the findings of several studies which show that pay-for-performance plans either have a negligible effect on motivation and performance or no effect at all. According to Kohn, (Rich & Larson, 1982), formerly of the McKinsey and company used interviews and proxy statements to determine whether or not compensation programs at 90 major U.S. companies showed a relationship between return to shareholders and the absence or presence of incentive plans in the corporations. No relationship was found. Jenkins (1986), Rothe (1970), and Guzzo et al. (1985) reported similar findings (Kohn, 1993). Similarly, Edward T. Redling (1981), in his study found that "there appears to be little evidence of a direct pay-for-performance relationship between top executives' compensation and corporate performance." This conclusion was the result of comparing,
for a five-year period, company performance with the salary
growth of the top executives of 25 companies which met a set
of criteria from a random sample of 100 of the largest 1,000
companies in the country.

Thus, although Kopelman and Reinhart say that:

a large body of literature indicates
that making pay and other rewards
contingent upon performance has a
motivational effect on employees —
nomatter what the theoretical under-
pinnings of the particular material
one is reading (p. 30),

available evidence is overwhelmingly in favor of the
observation that, in virtually every case of implementation,
no linkage between performance and pay could be established.

Typically, pay-for-performance is determined by non-
performance factors. Even Kopelman and Reinhart observe
that:

although organizations frequently
claim to employ merit reward sys-
tems, their espoused policies and
their actual practices differ
substantially (p. 31).

Similarly, Lawler (1971, 1973) contends that pay can, and
should lead to increases in motivation and productivity when
it is actually tied to performance. But, he also states that organizations with pay-for-performance plans typically fail to make this necessary connection. In other words, the linkage between performance and pay is rarely, if ever, achieved (Perry, 1991; Kellough and Lu, 1993). These observations cast serious doubts over the basis for the adoption of merit pay in the public sector.

Organizational Politics

This generally refers to a range of behaviors which include the configurations of relationships that develop around the endemic struggles within and across units in organizations for power, hegemony, control, aggrandizement, influence, likability, etc. It also embodies the often pervasive and unspoken expectations that dictate, or, at least encourage certain behaviors while discouraging others. Taylor, Hunnicutt, and Keeffe (1991, p. 55) cite Saupe's observation that "merit pay decisions are too often political in nature." In a study involving Police managers, Ross (1983) found that the once-thought-moribund "Organization Man" syndrome influenced performance ratings. (For supportive
earlier findings in the private sector, see Cox, A. J., 1982, *The Cox Report on the American Corporation*). Schay (1985) hypothesized that "raters" account for a significant portion of the variance in performance ratings. Her test of the hypothesis showed that:

55% of all ratings were biased. Average and high performers were rated significantly more positively when they matched the "ideal employee" prototype than when they did not. Poor performers received uniformly low ratings, regardless of level of likability and conformity...Rater affect, as operationalized by liking for the ratee, was significantly correlated with overall rating.

Lack of linkage between reward and performance is also traceable to the biases of raters.

**Rater Bias**

**Unintentional Bias**

There are various forms of bias of which the rater can be the source. One is unintended bias, which is a function of natural differences between people; "honest" or legitimate differences in personality, background, or
ability; which influence their view of reality and thus perceptions of the behavior of ratees (Baird, et al., 1982). These differences sometimes result in two or more individuals perceiving, comprehending, and interpreting same information or phenomena sometimes vastly differently. Thus, employees with similar levels of performance in the same agency may receive different levels of rating as a result of being evaluated by supervisors given to differing levels of leniency or severity in evaluation.

Individual differences among people influence their attitudes, values, perceptions, behavior and judgment, a fact as true in the performance appraisal setting as it is in all others (Ibid., p.7).

In his study of the pay-for-performance system of Milpitas, California, Maltbie (1981) found that

...most respondents did not feel their performance awards were fair in comparison to other departments, primarily due to the difference between the department heads in evaluating their subordinates (p. 40).

Gabris (1986) has found that managers differ markedly from subordinates in terms of such traits as aggressiveness,
...etc.. Although, traits are not being evaluated in the new performance appraisal system, managers tend to be more favorably disposed toward employees who exhibit the characteristics with which they (managers) identify. As he put it, "The system tends to reward those who have assimilated the values preferred by the raters" (p.77).

Bias Due to Constraints of Time and Distance

But, even if we could, for purposes of performance measurement, sufficiently break down to atomistic details the superordinate values to which public organizations must be subservient, a supervisor will still have to deal with the practical impossibility of being in a position to see what every employee s/he would evaluate does at all times. Standards of fairness demand that s/he be able to do this. However, time imposes constraints that lead to information failure vis-a-vis supervisors' knowledge of subordinates' on the job activities (Reed & Kroll, 1985; Baird, Beatty, & Schneider (eds.), 1982; Thayer, 1987; Latham, & Wexley, 1982). In his well-known study of what managers actually do, Henry Mintzberg " found that the average manager spends 37%
of his or her time dealing with employees, but only 9% of this at their actual work sites " (Reed & Kroll, 1985, p. 51).

Some bias is also a function of distance. Typically, subordinates are not located in an organization in such a fashion that the supervisor(s) can readily see what they are doing at all times. Barnard (1938) had this to say:

Under most ordinary conditions, even with simple purposes, not many men can see what each is doing or the whole situation; nor can many communicate essential information regarding or governing specific action without a central channel or leader. But a leader likewise is limited in time (and capacity) in communicating with many persons contemporaneously, especially if they are widely separated so that he must move about (p. 106).

There is little wonder then why Thayer (1978), drawing upon his own experience says:

having lived within a governmental appraisal for any years, I can testify that many, indeed, most superiors do not and cannot know precisely what their subordinates should do and do do (p. 33).

Inaccuracy of rating can result from this rather "natural" limitation on the part of raters to acquire the
information needed for fair and objective appraisal. If a supervisor cannot see what all of his or her subordinates are doing at all times, there is more than a negligible probability that some subordinates will be seen at their best or worst more or less often than others. Baird et al (1982) sum up the problem thus:

Many supervisors, due to their own job duties which may physically separate them from their subordinate ratees, are able to observe ratee performance too infrequently to accurately judge typical performance over a long period. But non-representative sampling or allowing a typical positive or negative performance occurring during their infrequent observation periods to bias their judgments of performance over the entire period can lead to inaccurate appraisals (p. 8).

In her study of merit pay in academia, Ruth Lesher Taylor (1991) indicates that even faculty members' geographical distance from department chair's office influenced merit pay decisions (p.55).

This problem, it has been observed, also leads to inconsistency in rating; when, for example, employees doing virtually the same work are evaluated by different supervisors who see different aspects of employee performance
and render their judgments accordingly. Latham and Wexley (1982) emphasize this point thus:

It is not uncommon for two employees who do the same quantity and quality of work to be rated differently by two different managers or even by the same manager (p. 7).

It is perhaps instructive here to remember that each of the proverbial "six blind men of Hindustan and the elephant" reached a different, but erroneous conclusion about the appearance of the beast because each felt only a limited part of it and none had the benefit of feeling the whole of it.

These observations are easily explained by the fact that, managers, like the rest of us, are subject to the dictates of "bounded rationality" (March & Simon, 1957) whereby, we make judgments about situations and persons based on limited knowledge that is within "easy" reach of our ability to gather information needed for objective decision-making.

A related factor to the problem of supervisors' inability to make valid appraisals of performance, is their inability to make or justify fine-grained distinctions.
between top performers; a situation which is more difficult than merely distinguishing between poor and outstanding performers (Malachmi & Holzer, 1987). As Perry and Petrakis (1988) learned from talking to supervisors, many supervisors acknowledge that they can easily distinguish their best from their poorest performers. The primary problems supervisors encounter is not with knowing who are their best performers, but in measuring and documenting performance differentials.

Provenzo, et al. made a similar observation following their discussion with teachers. According to them,

While some teachers acknowledge that they know good teaching when they see it, they find it hard to state that knowledge in terms that can be isolated and codified (p. 22).

Similarly, Murnane and Cohen (1985) argue that:

the primary reason for the failure of most merit pay plans is supervisor's inability to justify fine-grained productivity distinctions among teachers (p. 17).

To foster worker perception of equity regarding the system, supervisors must be able to do these things. In other words,
workers must accept that supervisors' ratings usually reflect productivity differences, and are not routinely biased by undetected opportunistic behavior. Fulfillment of this condition requires that supervisors be able to answer convincingly the following questions posed by workers: (a) why is worker X being paid more than I am? (b) what can I do to earn higher pay?" (Ibid., p.13).

But, they frequently cannot. As a result, the problem is sometimes resolved by inclusion of factors not directly related to pertinent task performance. Cohen and Murnane (1985) found that factors such as involvement in civic activities were considerations in the determination of teachers' ratings even though such factors have little, if any, direct relevance to classroom performance. In their examination of merit pay plans in six school districts to establish why some merit pay plans survived (not because of success in improving instructional effectiveness but in spite of the lack of it) while others didn't, Murnane and Cohen (1985) found that

One common theme in the long-lived merit pay plans is that the definition of performance is altered so as to reduce
emphasis on classroom teaching, and increase emphasis on completion of tasks outside the classroom (p.21).

This, obviously was a way to get around the difficulty of defining excellent teaching in observable terms; and explaining classroom performance differentials among, and, to teachers.

**Intentional Bias**

Intentional bias refers to conscious attempts to distort appraisals based upon personal or group prejudices and biases against others of a certain religion, national origin, race, sex, age, political ideology, physical condition, etc.. Taylor, Hunnicutt, and Keeffe (1991) cite Gray and Scott, 1980, and Wilkerson, 1982 for their observation "that measurement instruments in use tend to have a discriminatory effect upon women and minorities" (p. 55). Brown (1982) reported that a court found two agencies guilty of discrimination in removal, promotion, etc. of black employees (p. 79). In 1983, Ross reported that:

Initial evaluations of the new federal appraisal systems indicate that the merit system review is
floundering. A large percentage of managers under the new appraisal system question the fairness with which their evaluations are administered (ASPA, 1981). Nearly one half of all merit employees in the eight participating agencies claimed to have seen at least one instance of personal favoritism (p. 105-106).

There is also the so-called "critical unit" bias (Halachmi & Holzer, 1987). This is somewhat like a "necessary" bias of which the organization as a whole, not the rater, or even the organizational climate, is the source. It refers to a situation whereby ratings are characteristically skewed in favor of employees in units deemed critical to the effectiveness of the organization (Ibid.). Mary Patricia Clifford (1987) reported that the results of her study showed that:

in the district with merit pay, increases in extra effort in teaching reading were more likely to be rewarded by merit pay than increases in extra effort applied to teaching math.

Organizational Consequences of Absence of Linkage

All of these practices could have, it has been asserted, a demotivating effect on those employees who are
either unrewarded or rewarded inadequately (Gabor, p.19). Employees generally think of themselves as good workers. Peggy Lanza (1985) says that "most employees will rate themselves 7 or 8 on a scale of 10, regardless of how their supervisors may rate them" (p.48). In fact, it has been suggested that this is one reason why typically, employees support pay-for-performance schemes (Fox 1991, in Ban and Riccucci eds. 1991, p. 61). Taylor, Hunnicutt, and Keeffe (1991, p. 55) report that Meyer (1975), when studying how employees view their own performance, found that:

95% of all employees view themselves as being above average and feel cheated when they get a lower than expected salary increase.

Perry (in Ban & Riccucci p.79) echoes this observation and goes further to hypothesize its implications for organizations thus:

Pay-for-performance systems may damage self-esteem in at least two ways - when employees are recognized with rewards that fall short of their definition of their worth, and when feedback from a merit rating fails to coincide with an employee's self-image. Given the basic tenet that individuals will behave in ways
that maintain their levels of self-esteem, threats to self-esteem generated by a pay-for-performance program are likely to lead to rejection of the system or withdrawal from the context in which the threat occurred (p. 79).

As Thayer (1987) reminds us:

It is all too easy to forget that the morale of all must take priority over the morale of the few. The obvious cost of awarding bonuses or merit pay increases to a few administrators is a significant decline in the morale of the many who do not receive such awards (p. 48).

As a result, organizational functioning and effectiveness may be negatively affected. Becker and Klimoski (1989, p. 356) reportedly found that "negative feedback from supervisors is related to lower performance" (Fox 1991, p. 65). Also, Pearce and Porter (1986, p. 211) are reported to have found in their study of the federal workforce that, "[t]here was a significant and stable drop in the organizational commitment of [merely] satisfactory employees after the introduction of formal appraisal" (Fox 1991, p. 65). Sylvia's (1989) observation that

Systems that celebrate the achieve-
ments of superior performances but ignore the essential contributions of rank and file satisfactory employees also have been found counterproductive in the private sector (p.39).

emphasizes these findings. He refers to the widely acclaimed book *In Search of Excellence*, by Peters and Waterman (1982) as support for the observation.

Perhaps, it is because supervisors have recognized this possibility and try to forestall it that, they have been known to spread merit pay awards across the board. One researcher described it as "awards bestowed for the sake of prudence rather than merit." Although, this approach has its detractors, in their study of merit pay implementation at five federal installations, Gaertner and Gaertner (1982b) found that "widely distributed small amounts" seemed to "generate more positive attitudes than fewer bonuses in larger amounts" (p.iii).

Besides all of the implementation problems and abuses which I have discussed thus far, and which make the achieving of a linkage between pay and performance rather unattainable, merit pay with its requirement for
individually-based performance appraisal is objectionable on other grounds. The first of these is that it compromises a much needed "holistic view" of organizational goal accomplishment. This will be discussed next under "The whole is more than the sum of its parts".

**THE Whole is More Than the Sum of Its Parts:** One of the enduring findings that have come out of the field of Psychology, specifically, Gestalt Psychology, is the idea that the whole is more than the sum of its parts. By attempting to break down holistic and reciprocally influencing dynamic relationships into atomistic units of concrete fixity - into things or objects (Fox, in Ban & Riccucci 1991, p. 63).

performance appraisal assumes that the whole is equal to the sum of its parts. As Perry and Petrakis (1988) point out,

Pay-for-managerial performance is based on the assumption that organizational performance is the simple additive combination of individual separate performances. Yet, theorists note that organizations are intricate social environments that cannot be understood as simple aggregations of employees. There-
fore, a mismatch exists between the simplicity inherent in merit pay programs and the complexities of organizations (p. 365).

Thus, the standard of measuring organizational productivity, effectiveness, and efficiency by performance indices stipulated for individuals tends to represent expedient suboptimization of organizational resources for efficiency and effectiveness. They represent a kind of reductionist oversimplification of organizational purposes and processes; and when tied to pay (theoretically or practically) has the potential to breed a plethora of organizationally dysfunctional behaviors. These include Inflexibility, Noncooperation, Competition and Rivalry, and Destruction of initiative.

**Inflexibility**

One of these behaviors is inflexibility in the pursuit of the performance indices on which appraisal will be based and merit pay determination made. As Perry and Petrakis (1988) have observed,

Individuals tend to adhere to these
subgoals, even when the goals conflict with those of the larger organization, because of selective perception and rationalization. These processes produce situations in which a subordinate may shirk noncontractual obligations or challenge a superior's interpretation of the contract (p. 365).

Furthermore, they add that:

The nature of merit pay systems also tends to reduce the willingness of employees to work outside of their performance contract. If an employee spends time on activities that are not in the contract, the employee risks losing ground to others in the scramble for financial rewards (p. 365).

Halachmi and Holzer (1987) describe it as "Matching behavior to narrow Evaluation Criteria." In his study, Obot, Nse J. (1984) reported that:

Seventy-nine percent of the merit pay principals, however, indicated that people working in their schools were not willing to do more than what was required of them. Eighty-four percent of the non-merit pay principals indicated that people working in their schools were willing to do more than what was required of them.
O'Toole and Churchill's (1982) report that:

According to some of those we interviewed, the emphasis on quantification and the tendency of pay-for-performance to center on critical job elements promotes a narrowing of job scope. Both aspects encourage employees to restrict their efforts to the job dimensions on which they will be evaluated (p. 23).

Further corroboration is provided by Pagano (1985) who observed from his study of the Department of Health and Human Services that managers perceived that the pursuit of planned objectives forced individuals to ignore the totality of their jobs and qualitative aspects of their work as well as the cooperation required in government work (cited by Siegel, 1987, p. 5).

Thus, the system encourages a tendency on the part of employees to, as it were, "look out for oneself". "Merit pay tacitly legitimizes self-interested behavior by defining performance in terms of organizational subgoals." Employees may engage in a sort of game where attention is paid to ". . . what is necessary for scoring higher in the evaluation form rather than what is genuinely needed for doing the job.
correctly" (p. 87). This is characteristic of what has been called the "Minimax principle." It may sometimes include "playing to the gallery," a behavior that, if practiced widely enough has the potential to vitiate organizational capacity to be effective.

Noncooperation, Competition, and Rivalry

Looking out for oneself, at best, diminishes the likelihood for cooperation and at worst is incompatible with it. Underlying individually-based performance appraisals is the assumption that employees operate in a social vacuum. It ignores everything we have learned from the Human Relations school about the powerful influence of group dynamics in organizations (Fox, 1991). This knowledge is still tenable; but, "individual performance appraisals have no mechanism to address the effect of the group on the individual or vice versa" (Lanza 1985, p. 47). Lawther, Bernardin, Trayanham, and Jenning (1989) remind us of Gabris, Mitchell, and McClemore's

\[\text{2 The Minimax principle "suggests that extrinsic rewards cause people to maximize the chance of reward with minimum effort." Burke, Richard R.}
\[\text{"Research on the effects of rewards: Implications for Annual merit pay." Paper presented at the Annual Meeting of the Association of Teacher Educators (San}
\[\text{Diego, CA, Feb.13-17, 1988).} \]
(1984) observation that:

many tasks performed in the public sector are frequently the result of group effort. In those work situations where the successful completion of a task is highly dependent on a fellow worker's completion of his/her task, awarding merit raises on an individual basis may be dysfunctional, as competition may be fostered in a situation where cooperation is vital (p. 12).

Thus, rather than encouraging, it creates an incentive for non-cooperation (Fox, 1991; Maccoby 1978, p. 13: cited by Brown, 1982, p. 73). As Peggy Lanza (1985) observes:

Standard performance appraisals conducted on an individual basis, do not contribute to the team efforts that are such an important element in today's participative management style (p. 47).

Perry and Petrakis (1988) express this concern most eloquently thus:

Although much has been written recently about the need for team work in effective organizations, merit pay discourages cooperation. Most merit pay systems are focussed on rewarding individual rather than group performance (p.365).
And Murnane and Cohen (1985) observe that

Managers (school principals) as well as teachers realize that much of the important work in schools must be done by teachers working together and that compensation algorithms that reward only those dimensions of performance for which each teacher's contribution can be measured create perverse incentives (p. 10).

They added that this is perhaps "why paying teachers on the basis of their students' test score is extraordinarily rare in American Education" (Ibid., p. 10).

Furthermore, it has been observed that performance appraisals tied to merit rewards fosters unhealthy competition and rivalry among employees for a share of the pot of money earmarked for merit awards (Fox, 1991; Brown, 1982, p. 73; Barber & Klein, 1983, in Taylor, Hunnicutt, & Keeffe; Thayer, 1978). As O'Toole and Churchill (1982) point out:

This program creates a competitive situation among covered employees in the same merit pay group by basing a portion of employee annual salary adjustments on management's perception of the relative contributions of various employees (p. 15).
Evidence of this was found by Ehli, Gerald (1984) in his study of the merit bonus plan for the faculty of South Dakota's public colleges and universities. Here, the plan led to the deterioration of cooperation between faculty and faculty, and faculty and decision makers. Again, O'Toole and Churchill report that:

most of those we interviewed echoed Frederick Thayer's (1978:313) assertion that the reform effort fosters competition and conflict. They see pay-for-performance creating a competitive atmosphere among employees who vie with each other for salary rewards. Merit pay decisions determine "winners" and "losers". This atmosphere makes cooperation, especially in team efforts, more difficult to achieve (p. 22).

Among Illinois community colleges, the perception was that their merit pay plans created "too much internal jealousy and strife" (Hancock, Joseph 1983). Sims, Nancy (1990) noted in her research that "teachers' working relationships have changed in a detrimental way since the implementation of merit pay." This climate has a pernicious effect on the total organization as workers develop distaste for a system that
undermines their relationships with co-workers and enervates them. The net result often is low morale and a feeling that the prospect of a merit pay reward is not worth the hassle. Clifford, Mary (1987) noted a decrease in teacher effort as a result of these ills.

There is ample evidence in the literature that this is more than a fleeting concern to employees. It is also not just the concern of a few. In her study of "Attitudes Toward Merit pay in the Penn Manor School District and the School District of Lancaster (Pennsylvania), Rotz, Eleanor M. (1987) found that the total population of school personnel surveyed, "ranked the fostering of dissension, rivalry, and jealousy among professional staff as the greatest potential problem."

Among Missouri public school teachers, Spaedy, Marjorie Ann Schuster (1986) found that "teachers feared merit pay would cause undue rivalry among and between teachers."

Murnane and Cohen (1985) cite the finding of Jackson (1968) that, even superior teachers (as designated by their supervisors)

who would gain financially under merit pay, stated that they would not work under this compensation system because of
the negative effect it could have on team work and morale (Murnane and Cohen, 1985, p.15).

Initiative

The suggestion has been made that merit pay programs promote organizational servility (Rosen, in O'Toole & Churchill). Most of the studies we have analyzed and synthesized did not probe this issue. One of those that did was the study by O'Toole and Churchill, and the finding was inconclusive. However, the authors note that:

Region X experience suggests that pay-for-performance inhibits risk-taking, creativity, and innovation. Its reward structure promotes conservatism and a search for easy successes. Risk-taking, innovation, and creativity are only rewarded if they are successful. Employees are unwilling to commit to high-risk outcomes unless these outcomes are sufficiently hedged in the performance agreement (p.23).

Cost

As was indicated earlier in this chapter, prior to the Civil Service Reform Act of 1978, performance appraisal in the public sector was largely perfunctory. Also, it was not linked to pay. With merit pay made contingent on
performance appraisal and rating under the new system, objectivity, accuracy, and fairness became imperative (Kellough and Lu, 1993). The procedural requirements of this imperative have resulted in managers complaining that, the documentation entailed is very costly. It takes up too much time away from "actual work" and leads to a tremendous amount of paperwork (Gilbert B. Siegel, 1987, p. 4).

On the thin credit side, research shows that some good has come out of merit pay programs.

**Perceived Benefits From Merit Pay Programs**

The empirical studies reviewed here (for example, O'Toole & Churchill, p. 24; Siegel, Gilbert B., pp. 9-11) provide ample support for the claim made abundantly in the literature that the performance appraisal aspect of merit pay has been shown to lead to improved supervisor-subordinate communication which can enhance job clarification and the understanding and acceptance of performance standards. The Institute for Social Research (1982, p.iv) reported that "the establishment or clarification of goals and performance expectations" led to performance improvement. This
observation was made by the managers in the agencies studied. One of the superintendents of the school districts examined by Cohen and Murnane (1985) felt that "teachers had benefited from the 'self-examination' associated with the evaluation and documentation requirements of merit pay" (p.31). Similarly, while no teacher attributed any improvement in teachers' classroom work to merit pay itself, "several teachers said that the plans discussed here affected instruction, but it was the evaluation, as much or more than the raises, to which they pointed" (Ibid., p.28).

**Why Continue?**

Yes, the process of setting goals and standards of performance that employees should strive to attain and the evaluation that follows have, as noted above, led to greater and better supervisor-subordinate communication; with attendant benefits for the organization. But in the face of all the problems discussed in this chapter, the benefits appear rather insignificant, and hardly any justification for the continuation of merit pay. Kellough and Lu (1993) speak for many (Gabris, 1986; Thayer,...) when they say:

One is left to wonder why governments are
apparently hesitant to abandon the idea if most of the research evidence suggests that merit pay does not work well (p. 46).

I wonder that too. A recent event illustrates this point clearly. According to Kellough and Lu (1993), a U.S. Office of Personnel Management (OPM) committee charged with the responsibility to review the federal Performance Management and Recognition System (PMRS) found that:

the system was "neither fair nor effective," a conclusion shared with much of the published literature, but the report also states that "the committee unanimously supports the concept of pay for performance (U.S. Office of Personnel Management, 1991, pp. i and 23; in Kellough and Lu 1993, p.46).

Plausible Explanations:

A number of explanations have been proffered for this persistent paradox. These explanations seem self-evident and convincing. One of them of course is that the idea has an appeal to our senses that is intuitively engaging, inexorable, and resilient (Gabris, 1986; Lovrich, 19..; Thayer, 19..). For the rest, I shall use a taxonomy found in Kellough and Lu (1993, pp. 55-64). The authors listed six explanations, namely, symbolic politics, business stereotype,
managerial orthodoxy, political control, sunk costs, and perceived implementation failure. I shall discuss briefly five of these. Business stereotype has been dealt with somewhat in detail in the introductory chapter, and will be touched upon again in the closing chapter. For this reason, it will not be discussed here.

[1] **Symbolic Politics:** Merit pay is inexorably embraced by government not because it works, but rather because, and as we are wont to say, it sends a message to the public that something is being done to make bureaucrats earn their pay. It says that effort is being made to make government as productive and efficient as it can be. Perry (1991) posits that "In sum, PFP is part of the ritual and myth that help to retain the legitimacy of the governance system" (p.80). Cohen and Murnane (1985) made a similar observation following their examination of merit pay programs in selected school districts. Merit pay was seen by some professionals in these districts as important in local politics of education. According to Cohen and Murnane (1985), a high level administrator told them that the scheme

...does give the School Board and the
community the feeling that they've got some control over the staff. There is an evaluation process here and the process can be used in a way which will reward the good and punish the wicked... At least in some of our districts, the plans seem to have been most useful for their political symbolism. For merit pay is one of those rare political devices that can broadcast quite contrary messages at the same time. It seemed to tell teachers that their work was valued while telling elected officials and constituents that management was taking a tough line with the hired help. It isn't every improvement scheme that can serve such diverse purposes; it is thus little wonder that school people in these communities seemed so attached to merit pay — even if no student's achievement improved (p.33).

[2] Managerial Orthodoxy: Merit pay plugs in neatly into orthodox management orientation and mentality with its classical emphases on control, supervision, etc. As was pointed out in chapter three, managers tend to pay only lip service to such "novelties" as increased worker participation. In actuality, they prefer control, and merit pay gives it to them in superfluous measure.

Control can be considered a central aspect of classical management tasks associated with directing and coordinating organizational processes. It
should be expected, then, that any mechanism to facilitate the performance of such tasks will enjoy support from management. Those who control the performance appraisal process also control the distribution of awards and presumably employee behavior. In this way, merit pay becomes a means of strengthening the organizational hierarchy (p.57).

This managerial support also has some symbolic significance.

It is a way for administrators to communicate that they are responsive to important external constituencies and that they are doing something about the perceptions of lagging performance (Perry, 1991, p.80).

[3] Political Control: Merit pay makes the higher reaches of the bureaucracy accountable, to an undue degree, to partisan political leadership. As Perry (1991) put it,

One of the shared realities or beliefs is that public bureaucracies resist control and that FPP programs are appropriate mechanisms for assuring bureaucratic accountability. FPP programs represent an attempt by politicians, administrators, and the public to assert control over bureaucracy (p.80).

[4] Sunk Costs: This relates to the reluctance to abandon a program on which so much has been invested in terms of "selling the concept, training employees and managers, and
building expectations" (Kellough and Lu 1993, p.58). This reluctance is reinforced by an attitude and belief (to be discussed next) that seem to saying "it will work if we tinker with it long enough."

[5] The Perception that Problems Are Simply Technical: There is a tendency on the part of government to subscribe to the view shared by merit pay devotees that the failures of merit pay programs are due, not to any inherent difficulties, but rather to implementation glitches (Kellough and Lu 1993, pp.58-59). In this regard, it is claimed that merit pay could be made to work as intended if this is done, if that is done, if this is present, if that is present, etc.. Perhaps the ubiquitous and endemic elusiveness of these conditions means that merit pay is conceived with anticipations that are unrealistic.

No Grounds for Optimism

Historically, pay-for-performance in government, in whatever form it may have been known, has a woeful record. This was treated briefly in the introductory chapter of this volume. In fact, the record is so poor that not a few
researchers have wondered why the idea is still so intensely pursued (Gabris, 1986; Kellough and Lu, 1993; Perry, 1991). Johnson (1984) observed that: "merit pay plans have been tried in many forms, in many places, and they have failed" (p. 176, cited in Magnusen, 1987, p. 516). All of the earlier programs were either dropped or ignored because efforts to implement them were hopelessly plagued by problems that proved intractable.

In the educational system where it has been tried more often and endured longer (than in government), the story is virtually the same. Its record is woeful. Murnane and Cohen (1985, p. 4) report that "In 1918, 48% of United States' school districts sampled (Evendon, 1918; as reported in Johnson, 1984) used merit pay. Little is known about these early plans, except that most did not last." Taylor, Hunnicutt, and Keeffe (1991) observe that, although, a few schools have claimed to have developed a workable merit pay system, "the literature reveals a preponderance of evidence of merit plan failure and even occasional abuse" (p. 52). Kellough and Lu (1993) emphasize that, "studies that have produced favorable results are, in fact, rare" (p. 49). Merit
pay was first used in 19th century English and Welsh schools where it was called "payment by results" (Taylor, Hunnicutt, and Keeffe, 1991, p.52). Their experience with it led one school inspector to describe it as "a vicious administrative system, and perhaps the most vicious that has ever been devised" (Ibid., p. 53). Here in the United States, evaluation of merit pay practices by 1944 "determined that measurement instruments were inadequate for making fair and equitable merit decisions" (Ibid., p. 53). Today, fifty years later, the literature echoes the same observations.

**Summary of Chapter**

A number of things are clear from this examination of the theory and research on the implementation of merit pay.

1. Pay has to be a valued reward and its size has to be meaningful. The extent to which pay is a valued reward for workers generally, is not conclusive. Equally inconclusive is the extent to which making the receipt of extra pay contingent upon performance, can motivate higher performance. This notwithstanding, it seems clear enough that, used as a motivator, the size of the reward has to be meaningful to
elicit the intended behavioral response. All are virtually agreed that whatever potential CSRA merit pay plan might have had was undermined by severely limited resources. Even in the presence of sufficient funds, merit pay requires that warranted distinctions be made between employees on the basis of their performance for differential disbursement of merit pay fund. Therefore, it is of the utmost importance that all of the processes involved in the administration of a merit pay program, from the determination of proximate objectives for individuals and the performance indices that are derived from them, to supervisor appraisal of performance, ratings, and the eventual disbursement of merit pay be perceived as objective, accurate, and fair (Daley, 1988; Lynn & Vaden, 1979; O'Toole & Churchill, 1982; Ban & Johnson, 1984; Murnane & Cohen, 1985). But, they are largely not perceived as such.

2. The point cannot be overemphasized that perception, whether correct or erroneous, is a crucial factor in the application of both of expectancy and equity theories, and therefore, of merit pay. The above perception explains the polarity of workers' attitudes toward the concept of merit pay on the one hand and its application, on the other. They
approve of the concept but are disillusioned by its implementation.

3. It seems clear also that "since behavior is a function of its consequences," whatever potential merit pay has can only be realized if workers perceive that the net benefits outweigh and, appreciably too, the sundry irritations that are likely to be part of the landscape (i.e., extra work, possibility of interpersonal conflicts, etc.). The importance of this observation is not diminished by perceptions of equity, objectivity, a valid linkage between performance and pay; or even merit pay of a significant size. For all of the reasons cited above, workers have rarely, if ever, perceived merit pay as a motivator, and merit pay has rarely, if ever, met the expectations claimed for it (Perry, 1991; Kellough and Lu, 1993).

4. We owe its continued presence to factors such as its inexorable appeal, a function of both its seeming self-evidentness and alleged successes in the private sector. But preeminently, we owe it to its political symbolism.
CHAPTER FIVE

In my effort to critically assess the potential of Merit pay and thus determine whether it represents bright promise or false hope regarding the motivation of public sector employees, I have consulted hundreds of sources, including journal articles, newspapers, books, reports, conference papers, government documents, and doctoral dissertations. The result is the enormous amount of information presented in the preceding four chapters. Quite appropriately, in this final chapter, I shall endeavor to present, in the first few pages, a synopsis of: (1) the major theories and perspectives on motivation and their implications for merit pay, and (2) major findings or contributions of this study to the literature on merit pay. These contributions are on two fronts: the general issue of efficacy and the more focussed issue of implementation. (a) This is the first attempt at integration of the empirical research on merit pay in the public sector -- to give us -- a unified picture of the findings of these scattered research. The picture that has emerged is that merit pay does neither
enhance significantly employee motivation, productivity, organizational effectiveness, nor is it perceived to do so. 
(b) It is also the first attempt towards a composite and unified understanding of the difficulties of implementing merit pay in the public sector. Here again, the picture that has emerged shows that the problems of implementation are not isolated, few and far between, but rather, ubiquitous, numerous, systemic, and even endemic.

As, and when necessary, some contextual and historical information already discussed in the preceding chapters will be mentioned to enhance the systematic understanding of the entire research. Such an understanding is necessary to realize why the recommendations I will make are warranted.

Thus far in this dissertation, we have seen that how best to motivate employees at work, to optimize their productive potential in the service of organizational purposes has been for a long time the subject of spirited academic debates, serious intellectual inquiry, speculation, empirical investigation, claims and counter claims based on intuitive insights, and much philosophizing. These have
yielded some interesting theoretical perspectives. Some of these represent a fusion of the major strands of thought on the subject, and are informed by a variety of assumptions about what makes some of us human beings work harder than others.

One of the theories has focussed on instinct as the primordial force which drives and directs our actions toward certain ends and away from others. Another emphasizes the existence of biologically-based drives, called primary drives or needs which are triggered by homeostatic imbalance in the internal operations of organisms, and for that matter, human beings. Termed lower-order needs, these drives command and direct the mobilization of our capacities for action, to activities that will lead to the restoration of balance in our internal environment. Such is the case when we satiate hunger or thirst by eating or drinking. There are also other drives, called secondary drives which are not biologically-based, but are instrumentally related to primary, biologically-based drives. We are driven, as it were, by these secondary drives because they represent a means for the satiation of these other fundamental drives. Money is thought
to fit into this category because it is a means to the gratification of those primary drives such as hunger and thirst.

Still another theory emphasizes that the things which impel us to action in one direction or another are not limited to such physiologically-based primary drives. We all have ego which we protect; and because we live and work in the company of others, we also have status which we need to protect or enhance; we need security from the possible ravages of adversity, not to mention physical harm; we need the approval and recognition of others; we have a need to be competent; to achieve; and given circumstances that are auspicious enough, we would someday experience an affinity towards doing something for its own sake, being the person that we are potentially capable of being without the encumbrance of lesser concerns. In short, we would self-actualize. These have been termed the higher-order needs. There is considerable agreement that these needs are real and that they can influence our choices of behavior. The importance of the gratification of these needs for worker productivity has been empirically shown. In fact, it is
contended that the gratification of these higher-order needs is critical in a society (such as the U.S.) characterized by a general satisfaction of the basic needs. What will bring about their fulfillment in the workplace? Is money needed? If it is, to what extent?

The review of the literature on the theory and research on merit pay and work presented in chapter two shows that scholarly positions on this issue is characterized by a great deal of theoretical divergence. Experts are legion who posit that, in the workplace, and given an existence liberated from the inexorable throes of hunger, thirst, and all such fundamental needs, people's behaviors are determined more by the behavioral imperatives of group dynamics than by personal economic considerations. In other words, they contend that beyond a certain point, monetary considerations cease to be a significant motivator of behavior; and argue that most workers in our society have gone beyond that point. The aphorism "A satisfied need is no longer a motivator" seems to say it all. Consequently, they claim that low motivation and sub-optimal performance in the workplace are traceable to work tasks that do not foster, and even deny the
gratification of workers' needs for a vibrant, fulfilling experience. According to these theorists, getting workers more involved through the use of such popular nostrums as job enrichment, participation and the like, will give them a sense of worth and accomplishment. They contend that, although money is of some utility for the gratification of these so-called higher-order needs, its importance is relatively secondary. This is easily evident in the findings of numerous surveys in which workers themselves have consistently ranked pay somewhere around 5th, 6th, or 8th in importance to them relative to other factors. Not so, some have insisted. Money is needed for the satisfaction of all of these needs but, possibly, self-actualization. Theorists in this camp further argue that, because it represents success in our society, it is a powerful symbolic gratifier. Workers care about it. That is why their demands at the bargaining table scarcely include such behaviorists' fascination as job enrichment, participation, etc. Rather, they ask for pay. Although it represents a somewhat extreme characterization, the term "economic man" is held to epitomize this view which projects man as primarily motivated by economic
considerations.

Virtually everyone of these perspectives, or theories if you will, still has its own band of devotees in the ranks of academics, managers, personnelists, and lay people. Empirical research, has largely not produced any convergence, although, more recent research evidence points in that direction. This evidence has yielded new understandings, insights, as well as illuminated the strengths and weaknesses of traditional positions regarding the dimensions and nature of human motivation. As a result, a somewhat contingency view of motivation has emerged. Its central theme is that none of the earlier theories, all of which it has virtually supplanted, adequately explains the dynamics of motivated behavior. According to this view, motivated behavior is determined by an interactive variety of factors relating to the individual, the organization, and the environment. Although it does not jettison earlier theories, it nevertheless is far from being just an amalgam of their essential strands of thought. It recognizes as well as illumines their situational suitability. Merit pay tacitly negates this new and widely accepted view and represents "a regression to Taylorism"
(Fox, 1991, in Ban and Ricucci 1991, p. 64). It is an endorsement of the all but discredited notion of human beings as "homo economicus". Here, I cannot help but recall that, merit pay, by whatever name it might be called - pay-for-performance, incentive pay, etc.- is not a novel concept in management's repertoire or glossary of motivational strategies. As I have clearly shown in the introductory chapter, it is, in fact a very old idea (Murnane and Cohen, 1985). So is the concomitant performance appraisal. It is also one with a long history of practice behind it (Murnane and Cohen, 1985). The associated problems that have made it a questionable motivational device are also part of this history.

With such a wealth of historical information indicating that merit pay in the public sector (here defined as government and public schools) has been virtually totally disappointing (Johnson, 1984 in Taylor, et al., 1991, p. 51; Perry, 1986, 1991), why was it resuscitated in 1978 and once again held up with untutored and untrammeled enthusiasm as the "Madacol" of our present-day problems of motivation and productivity in government (Sherwood and Wechsler, 1986; also in Taylor, et al., 1991)? This phenomenon - the resurgence
of interest in merit pay not long after earlier programs had been dropped - is what Cohen and Murnane (1985) have described as "a rush of amnesiac enthusiasm" (p.5).

Two main factors seem to account for this. One is perceptual and historical, and has to do with popular notions about the productivity and efficiency of the private sector. The other is political, and historical as well, and has to do with the politics of appeasement and "playing to the gallery."

Perceptions of Private Sector Efficiency and Productivity

Few, if any people, do not share the perception that the private sector is more efficient and productive than the public sector (Downs & Larkey, 1986; Goodsell, 1985). Numerous opinion polls have shown this to be a fact (Kellough and Lu, 1993). However, perception is not always congruent with reality. Individual actual encounters with the government bureaucracy have not sufficiently vindicated this perception (Goodsell, 1985; Downs and Larkey, 1986).

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3 Badacol was a patent medicine marketed in the eighties as a general cure-all for most any illness.
Associated with this inexorable but rebuttable presumption that the private sector is optimally efficient and productive is a belief among many, including policy makers in Washington and State capitols, that, it is so because of its management techniques and compensation systems. Specifically, private sector employees are more motivated to attain higher levels of performance as a result of the reward that comes with excellence in performance.

The roots of this perception reach far deep into America's social consciousness. From the early days of the republic, Americans have evinced a steadfast infatuation with the production methods and practices of the business community. The historic trail of reform of the nation's civil service contains numerous reminders of our tenacious flirtation with private sector managerial techniques that emphasize efficiency; techniques thought to be critical to the optimal mobilization of human productive potential. It is, therefore, not surprising that the American public generally has positive perceptions toward the concept of merit pay itself. Besides, the spirit of merit pay appeals to our simple notions of fairness and equity. In short, the concept
is intuitively appealing (Cohen & Murnane, 1985; Thayer, 1987; Kellough and Lu, 1993). It also plugs neatly into what some have sentimentally termed "such American cultural values as individualism, merit, achievement, and material rewards" (Fox, 1991, in Ban and Riccucci 1991, p. 62). The American social consciousness is so suffused with this idea that "to think otherwise is heretical and almost un-american" (Lucretia Tanner Dewey - reviewer of Milkovich & Wigdor, 1991) and a virtual "endorsement of mediocrity" (Provenzo et al., 1987).

The perception has been buttressed by the prevalence of pay-for-performance programs in the private sector. Dow Scott, et al (1986) reports that "a survey conducted by the Conference Board (1976) found that over 90% of the surveyed companies used a merit pay program" (p. iii). Ingraham (1993) also reports the finding of the Wyatt company (1989) that, "over 90% of private sector firms operate with some form of pay for performance" (p. 348).

It has been also buttressed by scattered reports of its efficacy. These reports of success have very little validating support in the literature. They are
discountenanced mostly on the grounds that neither they nor any other report (with the possible exception of the study by Pearce, Stevenson, & Perry) represent the result of rigorous, systematic, and comprehensive effort to assess the impact of merit pay. Even those who are very quick to mention cases of success admit that organizations which claim to have pay-for-performance programs generally do not tie pay to performance (Cohen and Murnane 1985, p.2). Rather, upon close examination, pay is seen to be determined by non-performance factors (Perry, 1991). Without a linkage between pay and performance, claims of merit pay's efficacy is speculative, and its advocacy, sentimental. As Ingraham points out:

Common sense would suggest that such an extensive presence (i.e., the pervasive presence of merit pay plans at the federal, state, and local levels of government) was based on a clear record of success. In fact, however, the diffusion of pay-for-performance has been based less on careful analysis and evaluation than on a perception of success in other settings, informal communication among bureaucratic and elected decision makers, and perhaps wishful thinking (p. 348). *parentheses mine.*
Rather, (pay-for-performance) was applied despite a remarkable paucity of information and data about the relative success or failure of techniques and schemes in the private sector. It was applied despite substantial scholarly research that pointed to difficulties with pay for performance, particularly in large organizations (p. 349) parentheses mine.

In fact, a decade after the passage of the CSRA of 1978, Alan Campbell was asked in a Senate Forum why pay-for-performance was implemented government-wide without experimentation and assessment of of its workability. His reply was "I saw no need. It was my perception that it worked fine in the private sector" (U.S. Senate, 1988, p.28. Cited in Ingraham, 1993, p.349). It is this same cultural perception that is responsible for the diffusion of merit pay. A kind of "join the bandwagon" mentality has resulted in organizations (public and private) adopting pay-for-performance systems without first making effort to find out whether or not they work as intended (Ingraham, 1993; Powell and Dimaggio, 1991).
Politics of Appeasement and "Playing to the Gallery"

Proper analysis and determination of the efficacy of pay-for-performance programs in the private sector was obscured as much by a perception of its efficacy as by the popular clamor for improved governmental productivity and efficiency amidst growing social problems, diminishing economic expectations, and a growing diffidence in the ability of the government to rectify the situation; a situation for which it was becoming increasingly seen as culpable. This clamor reflects a popular perception that government workers do not work as hard as their private sector counterparts; that government is wasteful, and its workers, lazy and incompetent. As I have said before, this perception was not grounded on a realistic appraisal of government performance vis-a-vis private sector performance. By reminding us of the size of the public sector (about one-third of the Gross National Product), the magnitude of its effect on the national economy as a result, and adding that, "quite rightly, the public expects it to be at least as productive and efficient as the private sector," Campbell (1978) gave implicit support to charges of mediocrity in government.
This notwithstanding, pre-CSRA reform rhetoric was characterized by a lack of executive conviction about the validity of charges of widespread incompetence in the federal government. President Carter himself did neither say he suspected nor was convinced that government employees were "underworked, overpaid, and insulated from the consequences of incompetence" (Thayer, 1984, p.38). Rather, he said that the public suspected that was the case. Similarly, Alan Campbell (1978) suggested that because performance appraisals were not being used for demotion or separation, the image of the federal government as the incompetent's best friend is given credence (p. 101), but added, "even if factually inaccurate" (Ibid., p. 101).

Given these reservations, one would reason that steps would have been taken to ascertain the validity of those perceptions, or otherwise debunk them as generally untrue and undeserved. Rather, they, like their predecessors "capitalized on the sentiments by campaigning against bureaucratic excess" (Ban & Ingraham, 1984, p. 2; Bellone, 1982, pp. 60-61). By so doing, they tacitly legitimated the charges; perhaps, to ensure the support of the masses for the
proposed change.

In light of the above observations, it does appear after all that the intermittent emergence of merit pay has not been due to any inherent resilience of the concept. Rather, it seems more appropriate to describe it as an immanent boomerang that Presidents, when prompted for reformist action, have found irresistible to clutch, embellish, rename, and hold up to the anxious public with a gleeful exclamation of Eureka! . What I am saying is that, merit pay was instituted in the public sector for its expedient political symbolism (Streib & Nigro, 1993; Cohen and Murnane, 1985; Kellough and Lu, 1993; Perry, 1991). To managers, it bequeathed control over rank and file employees. To employees themselves, it held out the promise of financial reward for excellent performance. But, above all, it responded to the apprehensions of the masses by assuring them that a system was eventually in place that would ensure that only those who are capable of desirable levels of productivity would remain in government employ (Streib & Nigro, 1993; Perry, 1991; Fox, 1991).

This symbolism is made even more plausible by the
fact that the adoption of merit pay came in the wake of what Thayer (1984, p. 34) described as "a massive compilation of contrary evidence" concerning the desirability and efficacy of merit pay. This evidence was the finding by the Department of Health, Education, and Welfare that "'interesting work' was more important to workers than good pay; and that 70% of the nation's professionals and businessmen did not believe their jobs brought out their best" (Ibid., p. 34). Some of the survey data cited by the Department came from government's own studies.

It is rather interesting to observe that the product of Vice-President Al Gore's initiative on reinventing Government, *From Red Tape To Results: Creating a Government That Works Better and Costs Less* shares much of the orientation of earlier reform efforts, including the Civil Service Reform Act of 1978. Although it embodies some insightful suggestions on how to make government work better (making coordination among government agencies easier, encouraging teamwork and commitment to organizational purposes, etc.) its frequent reference to private sector methods and techniques such performance - contingent bonuses,
gainsharing, etc. suggests a disregard for the lessons from our experience with such attempts.

**Tactical Errors**

As a consequence of this symbolic move to appease the public, merit pay, with the concomitant performance appraisal was sold both to the public and the Congress in a way that left the impression upon the minds of federal employees that the measures were more punitive than corrective (Ban & Ingraham, 1984; Bellone, 1982). Perhaps inadvertently, references such as this from President Carter: "...only 226 federal employees, of a total of 2,000,000 were fired during 1977 for inefficiency" (Thayer, 1984, p. 32); and this, from Alan Campbell: "only 700 employees were denied pay increases in FY 1977" (Ibid.) left the unfortunate impression that the new yardstick for determining the projected improvement in productivity in government under the merit pay system, was to be increased firing, increased denial of pay increases rather than increased productivity and efficiency (Ban & Ingraham, 1984, p. 5). The effect is rather evident in the following reaction from one of the
executives interviewed by Lynn and Vaden (1979) in their research examining the attitudes of top level executives toward CSRA.

The President made the mistake...He allowed people to draw the conclusion that the purpose of reform was to beat-up on civil servants....The whole damn thing was conceived by civil servants....The proposals were developed by people in the trenches like me and people who work for me who are career civil servants. They are the ones who have seen what is wrong with the system and proposed what should be done to fix it. And yet, the White House was willing to let the impression go forth that it was the administration that was grabbing the bureaucracy by the scruff of the neck and shaking it, pandering to the anti-federal employee feeling out in the boonies (p. 334).

These feelings may have attenuated the enthusiasm with which merit pay was received in the ranks of civil servants. They may have also attenuated their support for it. But, they obliterated neither. In fact, a significant number of civil servants supported the idea in principle; just like a significant number of the general population did.

As with most policy initiatives with potentially
far-reaching ramifications, reactions to merit pay when it was passed in 1978 were swift, sustained, and productive of a variety of insights and assertions, both supportive and non-supportive. While some of these were speculative, theoretical, and inconclusive; based as they were sometimes, on anecdotes, and a miscellany of evidence that offered, at best, indirect glimpses of how merit pay could affect salient organizational variables such as employee productivity and motivation; the informal groups, and organizational capacity for effectiveness; others were more empirically based. Among civil servants, what opposition there was to the program centered not on the concept itself or the principles it embodied, but around performance appraisal, which has rightly been described as the "piece de resistance" of merit pay.

Today, about 13 years after its implementation began in 1981, the question is still being asked: Has merit pay as required under the CSRA led to increases in employee motivation/productivity and organizational efficiency (Gabris, 1986). Assessing the workability of Performance appraisal, the legitimacy of the apprehensions surounding it, and above all, the efficacy of merit pay itself — the
extent to which it impacts targeted variables as intended—demands that we move beyond contentious theoretical claims and tendentious assertions to empirical investigations and observations. This is what I have set out to do in this dissertation by way of integrating the findings of a number of empirical studies. The purpose was to see if such findings, taken together, analyzed and synthesized, would indicate whether or not merit pay in the public sector represents bright promise or false hope.

The dearth, as abundantly documented in the literature, of rigorous empirical studies of a time-series variety that pointedly examined the efficacy of merit pay in the public sector forced me into a detour, so to speak. This led me to other studies which I have found useful to divide into two groups. Within each group and between the groups, there are variations in methodology and goal orientation. Thus my categorization of the studies was determined more by convenience than by any dictates of observed, underlying perfect homogeneity or heterogeneity. Both groups of studies suffice as surrogate measures of the impact of merit pay on the public organizations examined. I integrated the findings
of each class separately.

One group consists of studies that elicited the perceptions of merit pay employees, including supervisors and managers on the impact of merit pay in their organizations. These were organizations where merit pay had actually been implemented. There were 29 studies in this group. The other group consists of studies in which the author(s) made judgments about the impact of merit pay on a variety of indicators such as organizational productivity by examining organizational or personnel records. There were only 7 studies in this group.

Taken all in all, our findings indicate overwhelmingly that merit pay has not proven to be what it was touted to be. In the first group of studies especially, merit pay was not perceived by either supervisors or rank and file employees to have had any significant impact on either employee motivation or productivity. The second group of studies, the impact studies, indicates that merit pay has some positive effect on organizational productivity. However, the number of studies in this group is so small that any conclusions from this finding would be unwarranted. Besides,
the studies do not represent rigorous analysis of the effects of merit pay in the organizations studied. The one rigorous study, that by Pearce, Stevenson and Perry (1985) reached the conclusion that merit pay has no significant effect on either employee motivation or productivity. This conclusion is, however, only part of the story. Yes, by itself, it tells us that merit pay did not produce the desired results in the agency studied. It does not tell us why or give us any information concerning the effect of the program on various aspects of the functioning of that organization. Some of the studies contain this information. They generally show that virtually every potential problem highlighted in the literature on the implementation of merit pay plans occurred in the organizations examined.

The literature indicates that measurable performance indices based on objective criteria which reflect the goals of an organization are difficult to come by, especially in the public sector where goals are value-laden and, therefore, operationally vague, complex, and sometimes conflicting; where implementation is often frustrated by mercurial twists and turns brought about by political fluxes,
and limitations on individual agency executive authority to carry out program activities with dispatch; in an environment characterized by shared power, functional interdependence of all sorts, interlocking spheres of executive prerogative, and a web of rules and regulations adopted to ensure equity and justice. O'Toole and Churchill (1982) documented the existence of this problem in Region X of the Environmental Protection Agency.

Objective performance indices were not always established and/or communicated to the employees (GAO, GGD-84-1[summary], 1984). When established, regard was seldom given to qualitative aspects of jobs. This resulted in employees complaining that appraisals did not represent consideration of the totality of their tasks or performance (The Institute for Social Research, 1982). Merit pay also engendered a spirit of unhealthy competition and rivalry in the workplace (Ehli, 1984; Hancock, 1983; Sims, 1990). Managers and supervisors labored under tremendous procedural requirements which took a lot of time and, much to their disgust, generated much paperwork. Most importantly, employees generally have come to loath the program. This is because they did not perceive a
linkage between performance and pay (Siegel, 1987; Maltbie, 1981; Prewitt, Phillips, & Yasin, 1991; GAO, 1984 (Summary); Gaertner & Gaertner, 1985; Gabris, 1986). In this, non-performance factors such as forced distributions (GAO, 1984) played no small part. Equally important is the fact that membership in a merit pay pool rather than merit itself tended to determine one's rating and therefore amount of merit award one received. As a result, they had no trust and confidence in the system (Murnane and Cohen, 1985; The Institute for Social Research, 1982) and a sense of inequity became pervasive.

Both Expectancy theory and Equity theory posit that merit pay cannot succeed under these conditions. The most ardent proponents of merit pay base their endorsement of the program largely on one main point. It is their contention that pay-for-performance schemes are efficacious when pay is demonstrably tied to performance. To back up their claim, they typically cite a number of cases where pay-for-performance has been seen to work. That is, where it has led to increases in productivity because rewards were demonstrably linked to performance. However, they also point out
observations which inspire doubts over the actual merits of those alleged instances of pay-for-performance success.

One is the observation that, most of the organizations that claim to have pay-for-performance systems do not make any linkage between performance and pay. Organizations typically pay lip service to the system. The other is that, frequently, the introduction of pay-for-performance programs is accompanied by other changes in the workplace that, isolating the actual effect of the program itself is virtually impossible (Perry and Porter, 1982, p.94). These two observations tend to make cases of alleged success questionable as grounds for the endorsement and generalizability of merit pay. One cannot but wonder the basis of the claims of success made for pay-for-performance schemes.

Perhaps, it has yet to occur to the tenacious devotees of pay-for-performance programs that the reason pay is typically not tied to performance even in organizations that claim to have workable pay-for-performance systems is that given by the opponents of the system and empirically supported by the findings of the present study. It is the fact
that, valid performance indices are difficult to establish and measure. Organizations, as systems, are characterized so much by continuous and dynamic interaction among persons and units that it is ordinarily nigh impossible to separate strand by strand individual contributions to the whole.

Merit pay is a system whose potential to work as intended is predicated upon too many contingencies: if pay is demonstrably linked to performance; if reward is sufficiently large to compensate for, or preclude employee consideration of some unpleasant or undesirable consequences of trying to get merit pay; if the organizational climate is characterized by sufficient amount and degree of trust; if employees perceive the system to be fair and equitable, etc.. The plan is simply riddled with many "ifs."

I cannot agree more with Scott, et al. (1986) that:

The declining growth rate of productivity in the United States, relative to other nations, is a matter of increasing concern for both the private and public sectors. Productivity, or the efficiency with which goods and services are produced, represents a means of maintaining economic growth, retaining foreign markets, reducing unemployment, and controlling infla-
tion. Because the cost of labor is a major factor in the production of goods and services, increasing the output of human resources is a major element in reversing productivity decline (p. iii).

But merit pay, in its current form and conception, does not seem to be the way to go. Frederick Taylor may have been correct in asserting, while developing his principles of Scientific management, that: laws governing the motives of a large majority of humankind "unquestionably exist and when clearly defined are of great value in dealing with men" (in Viteles, 1953, p.18). As a result, he hinted at the need for the scientific community to embark upon the discovery of these laws. Merit pay represents a presumptive conclusion that we have discovered those laws. But, our experience with it indicates otherwise. For one thing, it does not appear to be working. The perceptions of employees regarding the effects of merit pay programs is critical factor in whether or not merit pay leads to productivity improvement. These perceptions are overwhelmingly negative. Also, underlying the implementation of merit pay via individual performance appraisal "is the belief that objective, non-biased perfor-
mance appraisal systems have finally been found ..." (Ross, p. 105); systems no longer tainted by the invidious influences of non-performance factors. The fact that performance appraisal is the single biggest source of headache in the merit pay process indicates that we have not found the right instrument either. The theory, or hypothesis, has been tested in, as we are wont to say, the real world and has been found wanting. Our historic and contemporary failure to make merit pay work as intended shows that we have not discovered a way to "control" these "ifs" or render them irrelevant to the process. This does not necessarily mean that it is inherently unworkable, as some have suggested. Perhaps, it is. That cannot be determined at this moment. Perhaps, it isn't. After all, excellence in most endeavors is typically achieved by a process of refinement. As Brown (1982) put it, "reform and changes are processes, not discrete moments in history" (p. 82).

However, refinement that is predicated upon the suggestion which has been made in the literature that, merit pay programs fail because they are typically not implemented the way they are supposed to or under the conditions deemed
most auspicious, will not work. There are the issues of fiscal constraints, reducibility of values and goals to proximate objectives for individuals, measurability of individual performance, measurability of performance differentials between individuals, contending with the political environment, imbuing the system with integrity by insulating ratings from natural and artificial biases of raters, etc.. There does not seem to be much grounds for optimism in the likelihood that these issues will someday, at least not in the foreseeable future, cease to be part of the social and administrative landscape (Kellough and Lu, 1993). Even if they do, merit pay is still objectionable for a number of very important reasons.

One of the insights that have come from our years of searching for answers to the causes of our diminishing competitiveness on the global arena is that our industrial sector has for sometime now been focusing unduly on short-term payoffs, and not enough on long-term interests. It seems patently illogical that we should, just when this realization is upon us, be extolling the virtues of a system that pushes us further in that direction. It is even more illogical, and
inimical too, to modify the inherently long-term institutional goals and perspectives so they can fit into a framework which implies that public institutions be able to document and measure progress towards the realization of some social values. Such progress is sometimes imperceptible, and require several, even many years to manifest in dimensions that are socially recognizable. In the Higher Educational system for instance, there is already an undue emphasis, much to the detriment of sustained commitment to intrinsic scholarship and the full development of ideas, on having something published just so one could keep one's job. We are all familiar with the dictum: "publish or perish." Merit pay only makes the situation worse by exacerbating the tendency for, a professor to engage exclusively or predominantly in research that can generate quick results, or pursue ideas that do not require many years to develop. In the same way, a police department becomes inclined to ignore such important activities as informal, friendly community contacts which could potentially, albeit immeasurably, do more for society and instead focus on the issuing of traffic tickets, the conducting of perfunctory criminal investigations that lead
to "timely" arrests and convictions which may cost the society enormously later on when they are challenged.

Furthermore, the industrial, organizational, political, and socio-economic implications of a system which fosters a spirit of unbridled competition reminiscent of the Hobbesian war of all against all are too weighty to be brushed aside in favor of potential increases in measurable productivity. This is especially so when the system is not seen to be working; when its integrity is continually, if endemically, undermined by an intractable array of non-performance variables that influence ratings. These, in addition to breeding socially undesirable behaviors, attitudes, and perceptions which enrich the life of nobody but pollute the lives of all. Viteles' comment on this issue is really food for thought for all. He says:

The excellence of a civilization is to be gauged not alone by a material yardstick, but also by the opportunities which it provides for the intellectual and emotional expression and development of the individual. There is little merit in a civilization which dulls the mind, warps the emotions, destroys the will, and reduces the individual to an automaton, even though it
succeeds in providing an ever increasing supply of material goods for general distribution. For this reason, it is not possible to think of the human element in industry in terms of productive efficiency alone. ... must take full account of the possible consequences of our industrial order in mechanizing the mind, creating mental conflicts, diminishing creative power, and setting the stage for individual dissatisfaction and maladjustment at work (Viteles, 1953).

But, sad to say; it has been observed that:

the work that millions of men and women do everyday for a living neither enriches their lives nor acts as a balancing factor. Such people can only look for true satisfaction and the means of self-realization in leisure-time activities, more particularly in the "free time" which is progressively increased as the working week is shortened. It is time away from work, as Marx (and Hegel before him) saw, that should constitute the true realm of "freedom" for mankind (Freidman, 1964, cited in Fein, 1976, in Dubin, ed. 1976, pp. 497-498).

This is a simplistic portrayal of social experience which denies the dialectical relationship between life at work and
life outside of work. It leaves much to be desired as it paints a picture of work as something that has to be unpleasant, dissatisfying, and therefore must be endured. Similarly, life outside of work is presumed to be insulated from the dissatisfactions at work and the work culture which produces the dissatisfactions. This is not plausible, and, I am not aware of any research basis for such a suggestion. In fact, it is a delusion. What seems more plausible is that, what happens at work and the culture pervading the workplace have important implications for what happens in life outside of work. Against this background, Balchin's suggestion that work

should (and can) be something infinitely more pleasurable and more satisfying - a pleasant reality rather than a mere escape from reality [and that] an effort should be made to give the average man what many of us already enjoy - a job which is not merely a means of 'earning a living' but which has in it all the ingredients of life itself (in Viteles, 1953, p. 11)

demands serious attention.

For these reasons, it does seem that what is needed
is a conceptual "refinement" of major proportions; a significant shift from our traditional and habituated ways of motivating employees and raising productivity. Neither technical tinkering with implementation operations nor fine-tuning of the merit pay idea will do. What is required is more like an overhaul which reflects adequate consideration of natural as well as artificial variations and disparities regarding individual capabilities and the physical and social environments of work. These, sometimes make effort and arguably, even excellence relative rather than absolute and demand that rewards, if necessary, be so considered for the sake of equity. Any compensation system which does not reflect a recognition of this fact needlessly reinforces the barbarous tenets of Spencerian social darwinism, and as such, is wrongheaded and should be opposed. Besides, as Lester Ward, T. H. Huxley, Henry George, Thorsten Veblen, etc. have so convincingly indicated, the fittest is not always the best and especially, ethically (Hofstadter, 1955). Competition among persons in organizations sounds anachronistic at a time when emerging knowledge points to cooperation as being potentially more beneficial for society. In the words of
Bellamy,

The principle of competition is simply the application of the brutal law of the survival of the strongest and most cunning. Therefore, so long as competition continues to be the ruling factor in our industrial system, the highest development of the individual cannot be reached, the loftiest aims of humanity cannot be realized (in Hofstadter, p. 113).

One approach with proven merit for productivity improvement is goal-setting (Locke et al. 1980). It involves establishing observable standards for employee performance and offering feedback to the employee about the extent to which the standards have been achieved (Perry and Porter 1982, p.95).

Common goal-setting techniques include performance targeting, management by objectives (MBO), and work standards (Ibid.). Perry and Porter (1982, p.95) reported that Locke et al. (1980) attributed a 16% median improvement in performance (with a range of 2% to 57.5%) to goal-setting following their review of 17 field studies of goal-setting. In the Bureau of Census, (Hornbruch, 1977) reportedly found a 52% improvement in output as a result of goal-setting accompanied by "regular feedback about performance against work standards" (Perry and
Merit pay itself embodies goal setting. In fact, it is first step in the merit pay process. In the review of the theory and research on the implementation of merit pay in chapter four, it was pointed out that agency managers' (The Institute for Social Research, 1982) and teachers' (Murnane and Cohen, 1985) indicated that the evaluation aspect of the merit pay process had a positive effect on productivity and performance. Thus, goal-setting can, and has led to productivity improvement without the threats, apprehensions, and organizational behavioral problems that attend ratings and the pay that contingent on them. Although at too great a cost, this insight is a benefit that we have got from merit pay, and one that we should fully utilize.

But, more desirably, our effort should reflect a recognition that, the road to building enduring productive capacity and a socially salutary work environment is by taking steps that would ensure that everyone of us has the opportunity to overcome his/her deficiency in a non-threatening manner through education, training, counseling, etc.. This is not in order that s/he may be better able to
compete. I propose that, in the long-term interest of the society, effort at all levels of private and public enterprise, especially at the strategic apex of government, be directed toward the fostering of team work. Lane and Wolf (1990) were right in noting that

A new tone, beginning at the political leadership level is a fundamental requirement in seeking ways to increase work-force energy ... Unfortunately, those in positions of political leadership do not yet have an adequate conceptual grasp of the kind of change that is needed. There is a common belief that changing the general pay system, improving the performance management system, and promoting various experimental studies and applications will take care of the problems. Until political leaders change their outmoded and superficial assumptions about the kind of organizational climate that is desirable, piecemeal, self-defeating approaches will continue to prevail (p.121)

Therefore, what I have in mind is not team-work in the sense of clusters of people in competition with one another as teams. This would just simply be a variant of competition among individuals and shares most of the problems associated
with it. It is important to observe here that, The Institute for Social Research (1982) examined merit pay in several agencies and reached the following conclusion.

In sum, the data suggest a slight, non-significant, but pervasive trend toward the degradation of organizational performance potentials (p. 44).

This corrosion of organizational potential for effectiveness is the fall-out from a system characterized by competition, fear, doubts, lack of trust, etc. Hence, what I have in mind is a vision of organizational culture suffused with norms of cooperation amongst persons, units, and levels, all working interactively as a team. This will not be easy. Among other things, it calls for a high degree of individual commitment to organizational purposes. What energizes and sustains the motivation of the workforce of groups such as the ACLU, NAACP, KKK, ADL, Christian fundamentalist organizations, Environmental movements, and a legion of other organizations, both benevolent and malevolent, national or localized? It seems that a good part of it is commitment, and commitment incipiently flows from deep convictions that have the force
of a drive to contribute one's utmost, sometimes at the pain of enormous sacrifice, to the processes that could lead to the realization of whatever purposes or goals one shares with the group. Members of these organizations constitute a community in the sense of persons bound together by a sense of shared values and aspirations. Again, Lane and Wolf were correct in their observation that "a commitment to something is a powerful force for action" (Ibid., p.137). In their words, the activities of persons in a community "are part of a mosaic of mutual and complimentary effort. Community members do what has to be done in the common effort because of membership, not because of material incentives" (Ibid., p.146). In the public sector, this commitment can be realized by developing systems of socialization that can imbue members (employees) with a dynamic sense of loyalty to the pursuit of the social values that inform the goals and objectives sought by governmental organizations. Again, Lane and Wolf observe that:

> When individualism is dominant and celebrated, collective effort is correspondingly diminished and demeaned ... the dominant public organizational cultures of compliance and self-interest
utilize techniques and practices of management improvement that decrease capacity for community and commitment (Ibid., pp. 143,145).

It is for these reasons that, what I proposed above also calls for an appreciation of the importance of a culture of teamwork rather than the mythical ethos of "rugged individualism" in harnessing the abilities and competencies of personnel, as well as in dealing with their deficiencies for the accomplishment of organizational purposes. This is a fundamental responsibility of management "as a coordinator of human efforts" (Viteles, p. 14). It is worth noting here that, the paramountcy of teamwork in the accomplishment of organizational purposes is so commonplace an observation that it would be superfluous to dwell on it here. As Drucker points out, "the human being is the central, the rarest, the most precious capital resource of an industrial society " (Ibid., p. 14). Therefore, effort should be made to understand his interests, feelings, and apprehensions. Merit pay does not represent any effort to understand, use, or manage these variables. It is an easy way out. It relieves management of the task of management and assigns it to money.
As places where people spend most of their waking hours, organizations could play a very significant role in bringing about the diffusion of norms of cooperation rather than competition in the society. After all, one is just about as intuitively appealing as the other. We have focussed enough on the one with rather poor results. It is high time we shifted our attention to the other.
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