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Industrial Relations Institutions and Skill-based Pay Systems Regulatory Quality

Davide Mosca

SID Ph.D. candidate, University of Bergamo

Paolo Tomassetti

ADAPT research fellow

Post-doc research fellow, University of Modena and Reggio Emilia

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Outline

1. Research question
2. Defining an ideal-type of skill-based pay system
3. Comparison of three case studies
4. Discussion
5. Conclusion



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Research question

How and why trade unions and company-level collective bargaining contribute to the regulatory quality of skill-based pay plans?

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Systemic features that according to the literature contribute to making a skill-based pay scheme effectual



Three main determinants



An ideal-type of skill-based pay system

Outlining an ideal-type model of skill-based pay systems: three determinants

1. Transparent appraisal criteria and procedures

(Vroom, 1964; Gomez Mejia, 1990; Milgrom and Roberts, 1992; Gupta, Ledford, Jenkins, and Doty, 1992; De Silva, 1998; Lee, Law, and Bobko, 1999; Leoni, Tiraboschi, and Valiotti, 1999; Pfeffer and Sutton, 2006)

2. Assessment is built on several parameters, which are able to measure all the variables influencing the employees behavior

(Vroom, 1964; Gupta, Ledford, Jenkins, and Doty, 1992; Lee, Law, and Bobko, 1999; Shaw, Gupta, Mitra, and Ledford, 2005; Gibbs, Merchant, Van Der Stede, and Vargus, 2009)

3. Direct contact with supervisors and feedback meetings provision

(Gomez Mejia, 1990; De Silva, 1998; Shaw, Gupta, Mitra, and Ledford, 2005)



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A focus on three case studies



- Metal-engineering
- Products used in the construction and maintenance of infrastructures as railway or power lines
- 600 employees



- Metal-engineering
- Steel pipes for the oil industry
- 3.000 employees



- Metal-engineering
- Mechanical supports for photography, video, and lighting
- 1.000 employees

1. Transparent appraisal criteria and procedures

- In all the cases appraisal aspects are contractually defined and communicable to employees, through the direct superior (Tesmec and TenarisDalmine) or specific manuals provided to workers (Manfrotto)
- In all three cases appraisal criteria, grading scales, and evaluation boards are contractually specified, and each parameter is identified by a shared description

2. Assessment is built on several parameters, which are able to measure all the variables influencing the employees behavior

- **Evaluation parameters consists of a total set of 8 (Tesmec and Manfrotto) or 28 (TenarisDalmine) working behaviors**
- **Each parameter and evaluation grade has a weight in relation to the company department and job level (Manfrotto), in relation to the professional worker's category (TenarisDalmine), or in relation to the agreed importance of the measured element (Tesmec)**



3. Direct contact with supervisors and feedback meetings provision

- In all cases the final evaluation is carried out by the direct superior of the worker
- Feedback proceedings can take place informally (Tesmec and TenarisDalmine), otherwise attending a detailed and timetabled mechanism that allows the worker to have an intermediate feedback by his superior (Manfrotto)

Trade union's involvement and skill-based pay systems regulatory quality

1. Trade unions ensure a shared description and a clear communication of the considered parameters. They also decrease the possibility for the company to act unfairly
2. Trade unions play a role in establishing which behaviors to assess and the most relevant competences, diminishing the management's discretion margins or the possibility of manipulations
3. Trade unions can bargain feedback steps, ensuring a worker's procedural right, allowing him to adapt his working behavior and reducing the risk of supervisor's objectives manipulation

An application of the Organizational Justice Theory (J. Greenberg, 1986)

Collective bargaining and trade unions involvement affect workers' perception of organizational fairness positively

<i>Organizational justice perspective</i>	<i>Determinants of fair performance appraisal</i>
Procedural fairness – fairness of the assessment procedures	Appraisal criteria and parameters are contractually defined and communicable
	Workers can become aware of parameters prior to the assessment
	The system provide the ability to rebut evaluation (see Manfrotto) or get a clarification
	The system follows a shared timetabled mechanism and a consistent application of appraisal standards
Distributive fairness – fairness of the received evaluation	Workers can receipt the final rating
	Wage rises are linked to the final rating

Conclusion

All the three explored cases present skill-based pay schemes that rely on shared procedures arising from contractual agreements, so that the employees representatives play a significant role in the setting-up, in the management, and in the monitoring of such plans

Industrial relations institutions can ensure the perception of organizational fairness and guarantee the regulatory quality of SBPP



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davide.mosca02@gmail.com



@Dav_Mosca

tomassettpaolo@gmail.com



@PaoloTomassetti