

PERFORMANCE-RELATED PAY

The aim of performance-related pay is to motivate employees to try harder, achieve more, perform better and be more effective, and to reward those who do.

Employers often argue that pay systems linking salary to performance, work as an incentive for employees. Yet there is plenty of evidence to show that it can actually demotivate staff, and can be used unfairly. Some employers may try to use it as a substitute for an adequate basic rate of pay, or to provide a top-up for certain groups of employees where there is a skill shortage but not to others.

It can also lead to employees competing for pay awards rather than supporting teamwork and better service delivery.

This guide explores some of the arguments about its value as well as the key issues to consider when negotiating over such schemes for workers engaged in delivering public services, whether from the public, private or voluntary and community sectors.



The aim of this guide is to inform and support trade union reps and branches in their negotiations on the issue of performance-related pay, providing:

- An explanation of what performance-related pay is and its background within the public sector
- Arguments likely to be made in favour of a performance-related pay scheme by an employer
- Arguments for resisting its introduction
- Key issues to consider in negotiations with an employer about any new performance-related pay scheme or when reviewing an existing scheme, including steps for achieving greater fairness.

What is performance-related pay?

A performance-related pay system has at least a part of a worker's pay contingent on the performance of the individual or team or organisation as a whole.

Performance-related pay is often used to link an individual worker's progression through a pay band within the pay structure, with an assessment of work performance during a particular reference period. For the individual, often this is the yearly review at the formal annual appraisal.

Achievement may be measured against specific performance objectives, but performance-related rewards may also be influenced by competencies, skills, contribution or productivity.

There are many different types of pay schemes that can be considered as a form of performance-related pay. The most common types are:

- Piecework - a price is paid for each unit of output (this is the oldest form of performance-related pay, but is mainly confined to the textile and engineering industries)
- Payment by results - bonus earnings are dependent on measured quantities or values of output for individuals or groups, usually based on work studied time units (this system was introduced for public sector manual workers in the early 1970s)
- Plant or organisation-wide incentives - bonus earnings or pay levels are based on measured quantities or values for the whole establishment
- Performance-related or appraisal-related pay - bonus earnings such as an extra percentage element added to pay or pay progression through an incremental pay scale are based on an assessment or appraisal of an employee's (or team's) performance against previously set objectives, usually as part of a performance management system. Assessments typically rank employees within three to six different levels, such as from unsatisfactory or less than expected to outstanding or more than expected
- Merit pay - bonus earnings or pay levels are usually based on a general assessment of an employee's contributions to performance in a less structured way than as for appraisal-related pay
- Competence-based pay - reward and training are linked to competency frameworks, based on the worker demonstrating certain skills (eg. problem-solving, decision-making, leadership, customer service, dealing with differing views) or achieving certain qualifications

- Profit-related pay - bonus or share options are based on the private company's profit performance.

In the **Acas guide on 'Pay Systems'**

(http://m.acas.org.uk/media/pdf/o/3/pay_systems-accessible-version-Jun-2012.pdf)

they state that “organisations often use a combination of systems to provide greater flexibility in the pay package to address particular needs. For instance they may have a basic rate for the job, with a top-up increase that is self-financing, and an element for individual performance. This has been particularly common in the public sector and the privatised ex-public sector/agencies.”

However performance-related pay is still unusual amongst employers in general, being only most common in the finance sector.

Acas research from October 2018 **'Improvement required? A mixed-methods study of employers' use of performance management systems'**

(www.acas.org.uk/media/pdf/7/j/Improvement_required_A_mixed-methods_study_of_employers_use_of_Performance_Management_systems.pdf)

found that “it was still a minority practice, with only 23% of the participants in the workshops linking performance to reward such as through performance-related pay or bonuses, and clearly being more prevalent in the private sector than the public.”

Background to performance-related pay (PRP) in the public sector

Performance-related pay began to make inroads into public sector pay structures during the 1970s and 1980s. However, there followed a level of disenchantment with the results achieved through such schemes during the 1990s.

Towards the end of the decade John Makinson was commissioned by the Government to report on the way forward for performance-related pay.

The Makinson report concluded that most incentive schemes in place at that time were “ineffective and discredited.” However, the report went on to argue that performance-related pay could still be made to work if remodelled on the basis of significant non-consolidated bonuses and team incentives.

These recommendations were principally taken up in central government departments, but made little headway elsewhere.

However, performance-related pay received fresh impetus across the entire public sector as the Government sought to sweep away service-related pay increments. Instead, the Government looked for new tactics to cut wages in the wake of its defeat on ‘market-facing’ pay in 2012, when all the pay review bodies rejected the government’s proposals to introduce much sharper regional variations to public sector pay schemes.

The Government has often continued to justify its drive toward performance-related pay through an appeal to ‘fairness’ by claiming that abolition of service-based pay increments would address ‘excessive’ pay rises in the public sector and bring pay arrangements in line with the private sector.

The flaws in these claims are set out in the Incomes Data Services 2013 Report ‘Public Sector Pay Premium: Fact or Fiction?’ (<https://touchstoneblog.org.uk/wp-content/uploads/2013/03/PublicSectorPayPremium.pdf>). Income Data Services conclude that their “own extensive benchmarking data [genuinely comparing like with like] and the data from other major benchmarking organisations find that rather than a public sector pay premium, wages in the public sector are below wages in the private sector for comparable roles.”

The central conclusion of the Work Foundation’s 2014 report ‘[A review of the evidence on the impact, effectiveness and value for money of performance-related pay in the public sector](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/381600/PRP_final_report_TWF_Nov_2014.pdf)’ (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/381600/PRP_final_report_TWF_Nov_2014.pdf) was “that the outcomes from PRP [] are mixed, with much dependent upon organisational and occupational context and scheme design and implementation.”

If performance-related pay schemes are to be implemented in the public sector, the [Work Foundation's review](#) highlights the following key challenges that should be taken into consideration by employers:

“1) Unintended behavioural consequences as a result of PRP incentives, such as:

- **gaming behaviour [where workers attempt to game the system, maximising their gains while minimising effort or without increasing performance]**
- **crowding out effects [negatively impacting on intrinsic motivation]**
- **an absence of behavioural change**
- **misallocation of effort and**
- **detrimental consequences to teamwork and co-operation.**

2) Difficulties in the measurement of outputs in public sector PRP, including:

- **negative effects of particular performance measures (e.g. absolute/relative, linear/threshold) and**
- **managerial subjectivity in assessment; and**

3) A lack of fit between incentivised outputs and desired social outcomes, including:

- **Poor long-term outcomes; and**
- **Poor cost-effectiveness.”**

Trade unions continue to oppose this form of pay reward across the public sector.

In February 2014 senior tax officials at Revenue & Customs voted to strike as they did not believe that the performance-related pay system was being operated fairly. Under their scheme, officials were required to identify 10% of staff as underperforming regardless of how good they were at their job.

In December 2016, four government departments announced that they were dumping schemes that demanded a certain proportion of staff to be deemed unsatisfactory.

Frances O'Grady, General Secretary of the TUC has said of performance-related pay: “Increasingly people think it is a big con.”

“PRP in teaching is not about raising standards. It undermines professional co-operation and hampers school improvement. It promotes unfairness and inequality and makes pay determination costlier and more bureaucratic. It is actually all about cutting the pay bill for teachers.”

Source: NEU website

“UCU believes there is significant evidence that performance related pay is not effective in motivating staff, does not increase efficiency or performance levels and is

not a fair way of rewarding staff. The evidence calls into question the overall effectiveness of any PRP scheme.”

Source: UCU website

Nonetheless the Government has continued to push for greater ‘flexibility’ over public sector pay awards and an end to blanket deals, with wage increases based on performance or where the work is based.

The NHS

In the NHS, pay progression for staff in English and Welsh Trusts is now linked to performance. But negotiations with trade unions have led to commitments that:

- appraisals, development and review of staff should have an objective, evidence-based process that properly recognises the impact of team work
- the performance of individuals should be monitored throughout the year so that any issues of poor performance can be addressed and dealt with appropriately and promptly
- individuals will expect to progress from pay point to pay point annually if they achieve the appropriate level of performance and deliver
- any local systems have to be equality assessed and apply equally to all staff.

UNISON has reached an agreement with employers on the NHS pay progression system for England, with Wales and Scotland nearing completion of their own discussions (at the time of writing). More details can be found at www.nhsemployers.org/your-workforce/2018-contract-refresh/pay-progression.

There is also a joint union guide for reps on operating and negotiating around the new system: 'New pay progression system for England: A guide for staff side representatives' www.unison.org.uk/content/uploads/2019/03/New-pay-progression-system-for-England.pdf. It highlights the three key areas that staff side representatives and activists will need to work on in relation to the new pay progression system to help improve NHS pay for members, providing key pointers on:

1. Local policy development and agreement
2. Supporting members through a pay step
3. Monitoring implementation and outcomes.

Local government

Meanwhile, the Local Government Association (in their 2018 report 'Great people for growing places: A consultation on the strategy for the local government workforce' www.local.gov.uk/sites/default/files/documents/11.86%20Great%20people%20for%20growing%20places_LGA%20March%202018.pdf) recognises that turnover rates have increased in their sector and that "these issues will need to be examined as part of a critical appraisal of the overall reward package."

They also warn that "performance related elements to rewards are often costly and difficult to manage in local government and market supplements can only be a partial solution. The key is well-designed jobs and career structures as well as perhaps non-pay benefits and help with personal development. Rewarding skills is an issue that needs further exploration and focus."

Arguments for and against performance-related pay

The value of performance-related pay has been the subject of much debate.

The arguments most commonly used by those in favour are:

- It motivates high performance in terms of both the quantity and quality of the work produced by employees
- It embeds an entrepreneurial or high performance culture across an organisation
- It clarifies objectives and engages employees more directly with the goals of the organisation
- It can assist in addressing recruitment and retention problems, while also tempting strong candidates to apply, retaining high achievers and losing low achievers
- It sends a clear message about what outcomes are valued and encourages the efficient prioritisation of tasks to achieve those outcomes
- It establishes greater fairness in the treatment of staff by providing a tangible reward for those who put in greater time and effort to their work
- It is an effective way of dealing with poor performance.

However there are many arguments against its usage including:

- It seeks to reduce a complex job, often involving conflicting objectives, to a few simple measures of performance
- It skews effort toward those dimensions of the work that are measured, while causing neglect of many equally important areas that are more difficult to measure (the ease of measuring quantity of work in contrast to the difficulty of measuring quality is a typical example)
- It shifts the focus on short-term quantifiable goals within appraisals diverting attention away from development needs and toward financial reward
- It concentrates on what has been achieved, rather than the potential of the employee, and encourages the employee to focus on what matters to their pay rather than the most effective public service delivery
- It shifts the emphasis of the organisation's mission to individual achievement of these measurable objectives and competition, and has a detrimental impact on teamwork, as individuals seek to drive up their performance grading at the expense of others
- While the idea of performance pay as a fairer system may at first seem appealing to a workforce, in its application the majority of staff are unlikely to be rated in the highest category, causing a drop off in motivation among the middle and low performers

- If there is a limited pot of money, inevitably there will be big increases for some and little or nothing for others which can be very disheartening
- It can particularly discourage constant, reliable, steady achievers, instead rewarding those who work more erratically but who occasionally achieve something very visible to their manager such as working on high-profile projects
- If pay awards are limited generally, they will have little benefit for employees facing an increased cost of living
- It can be a highly subjective system that is open to the prejudice and bias of local managers. Consequently, it can discriminate against individuals and groups, thereby opening an organisation up to an increase in discrimination and equal pay claims
- Inevitable variations in the grading of staff by different managers leads to perceptions of unfairness and resentment among staff
- Employees are unlikely to be open with managers about developmental needs and shortcomings in case it impacts on their pay
- It is a time-consuming and costly bureaucratic burden on managers and employees, not only in its design and implementation but also dealing with the inevitable appeals.

In the case of *Crossley v Acas (2000)*, the Employment Tribunal confirmed that the existing pay system unlawfully discriminated against five women who earned less than their male counterparts doing the same job. The sole reason was that the men had been appointed before 1992, whereas those with a shorter service were all women. Before 1992, an incremental pay scale rewarded length of service for employees. Following 1992, a performance-related pay system was introduced but as the budget for rewards was more limited, progressing up the pay band could not be as fast.

Following the case, Acas reached an agreement through a joint working party with the trade union, Public and Commercial Service Union (PCS) to introduce a new pay system and provide compensation to affected staff.

Negotiating a performance-related pay scheme

A key factor for any employer attempting to introduce a performance-related pay scheme is to involve trade unions from the outset if employees are to be reassured that the system will be fair, and not be sceptical about the motives for its introduction.

Branch and workplace reps can highlight how time-consuming it can be to implement and manage a new performance-related pay scheme. They should also stress how much of a change it will be to an organisation's culture, and therefore important to take the employees and their trade union representatives with them in any introduction of a new pay scheme.

Where unions are recognised, employers must provide information for collective bargaining purposes.

For larger organisations too, with 50 or more employees and which have a valid agreement on the information and consultation of employees (ICE), employers must inform and consult about decisions that may lead to substantial changes in work organisation and contractual relations, under the Information and Consultation of Employees Regulations (more information from the bargaining guide: '[Negotiating on information and consultation of employees \(ICE\) arrangements](#)' www.unison.org.uk/content/uploads/2019/02/Information-and-consultation-of-employeesFEB2019.pdf.) The process for negotiating an ICE agreement can either be started voluntarily by the employer, or triggered by an ICE request of at least 10% of the employees.

Can the employer justify why the change is needed?

Is what is really required a general increase in wage rates going to all employees rather than selective hand-outs?

The rationale for why it is to be introduced needs to be clear and evident from the employer before implementation.

Service-based increments have long been established in the public sector and elsewhere as a simple, transparent, unbureaucratic and low cost means of recognising that, as a worker gains greater experience and skill on the job, they are able to make a greater contribution to the delivery of a service and should be rewarded for that contribution.

Therefore, to ensure that replacement of service-based pay with performance pay is not simply being proposed as a means of cutting costs it is crucial to assess the total funds that would be allocated under performance pay in comparison to those used to fulfil service related increments.

In some areas, particularly in the community, voluntary and private sectors, there is a worrying trend for employers to go even further and seek to present performance related pay as a substitute for an annual pay rise – a position that branches should always reject.

Is any existing salary review or annual pay increase a contractual entitlement and if so would introducing performance-related pay mean a variation in the contract of employment?

Are the number or extent of performance-related pay awards to be limited by budgets or quotas, rather than responding to actual performance levels of staff?

It is important to ensure that employers do not produce fixed quotas on how many potentially “good” or “excellent” assessments of staff worthy of a pay award are made or decide in advance where range of assessments is going to be distributed.

Will it be the only way that wages will increase?

Trade union representatives are advised to resist a scheme whereby the only form of wage increase is linked to individual performance. A general pay increase should also be kept, and one that is in line with local market pay rates and the cost of living increases.

The employer will need to show very clear evidence to convince unions that it is potentially more beneficial for employees than a general increase.

Is it appropriate to the organisation? Will it clarify its objectives and actually improve performance?

If the performance management system is not properly designed and introduced carefully, it can contribute to a breakdown in employee relations and trust in management, and may actually demotivate staff.

The employer needs to be challenged to show that it will clearly benefit employees, and thereby motivating them and encouraging productivity. Is it the only way that good performance is recognised?

It is worth pointing out that this approach of focusing on individual performance levels may not actually reflect the culture of the organisation and go against a teamwork approach. It may discourage staff members from changing roles for new challenges within the organisation because they fear it might jeopardise their performance-related pay award particularly if they need to learn new skills.

The employer needs to be asked if performance-related pay will really enable them to recruit and retain staff on equal terms in the labour market.

How is performance to be defined?

Performance could be classified as the inputs, behaviours, personal attributes and competencies that workers bring to the job, or by what the outputs or results they individually or collectively achieve.

Although it will depend on the exact nature of the work conducted in a workplace, competence-based pay is often seen as the option least open to the pitfalls of performance-related pay.

It may also be possible to advance a compromise position that allows for service-based progression through pay scales, but incorporates performance 'gateways' at certain points in the scale.

How is performance to be measured?

A basic requirement for successful implementation is that any performance management system in the workplace needs to be clearly understood by all staff and implemented fairly and consistently by all managers.

Annual appraisals or performance reviews are generally used as part of any performance-related system, whether performance focuses on inputs or on outputs. Therefore, it is essential that management training on appraisals takes place and the employer ensures there is sufficient time to undertake the reviews.

Is the appraisal system fully bedded in to the organisation before any performance-related pay is attributed to it? This will ensure snags are overcome and its effectiveness can be properly assessed. Employees need to be clear about how much pay may be allocated through the performance-related pay system and how this will be calculated fairly and consistently.

Sufficient time should be available to managers to carry out any appraisals, as the workload implications can be considerable, especially for a complex scheme.

Performance pay should not be allowed to skew appraisals away from a comprehensive appraisal system that encourages personal development. In addition, it is generally preferable for performance payments to be related to objective criteria, with limited scope for managerial discretion. Where discretion remains, clear guidelines should be established on the exercise of that discretion.

However the system needs to be flexible enough to allow a review of objectives set, in order to take account of changing circumstances that may have made it difficult for an employee to achieve tasks. The scheme will need to be able to adapt to changes in the workforce, working practice, service demands etc.

How does the employer intend to ensure that the performance measurement system is fair?

It is key to any successful implementation that any form of measurement is fair and transparent. It is important that staff clearly know what performance levels are expected of them and that pay awards are made consistently across the workers. But inevitably there will be fears from staff that any form of measurement will be open to a subjective evaluation.

The Equality & Human Rights Commission resource ‘[Equal Pay: How fair is my pay system?](http://www.equalityhumanrights.com/en/advice-and-guidance/equal-pay-how-fair-my-pay-system)’ (www.equalityhumanrights.com/en/advice-and-guidance/equal-pay-how-fair-my-pay-system) warns that

“Unequal pay is built into the system....

To address this, you need to ensure the criteria for rewarding performance are clearly defined and achievable, and that targets are fair across departments. If possible, link the performance to a quantifiable target like sales, which can be seen as objective. However, whilst softer skills like people management - which may be primarily done by women - may be harder to quantify, they should not be excluded from performance pay criteria.

If your performance-related pay (PRP) system is only based on objective targets, you might want to consider including competence or behavioural skills in how the PRP is awarded. Target only based PRPs run the risk of being gender biased and you will need to check for this.

For example if a sales target is the primary means of awarding PRP, how do you adjust for part time workers? How do you ensure that managers do not show a bias of some sort in their assessment of an employee’s performance?

You need to be sure that your PRP considers the real value of different skills or competencies to the organisation fairly and without gender bias.

Union negotiators may use equality considerations as one of the main means of influencing performance-related pay proposals and avoiding the worst excesses.

For example, are performance criteria and objectives equally achievable in jobs typically carried out by women and men? Is there any indirect discrimination in the criteria selected (such as attendance records) and are part-time staff disadvantaged in comparison to full-timers? Are temporary employees and contract workers included in the system?

The employer will also need to consider the period of time that new starters will need to work to be able to assess their performance adequately. How will staff still going through the probationary period, or indeed those on long-term sick leave or maternity or other family leave be assessed fairly? How is any award calculated for those employees who act as trade union reps and undertake trade union duties?

An equality impact assessment would be the most effective way for an organisation to assess the impact of introducing performance-related pay.

The scheme should also specify training requirements for managers, covering awareness and avoidance of bias, in order to allow for the effective and fair operation of the scheme.

For example, managers should be made aware of the risks of undervaluing the contribution of part-time staff. Without good training and corporate guidance,

managers' prejudice can influence performance-related pay scores without them necessarily even being aware that they are being discriminatory.

All aspects of the scheme should be assessed to ensure fairness in its operation. In competence-based pay schemes for example, all staff should have equal access to training.

In the case of private and community/voluntary organisations, the use and scale of performance-related pay can vary from contract to contract, prompting the need to consider negotiating a central fund for allocating to performance pay schemes equally.

Is the trade union involved in the scheme design?

The trade union should have an opportunity to influence the design and implementation of performance-related pay systems, including performance objectives and funds allocated to the scheme as well as how it is communicated to staff. The system should be formalised but simple to operate.

When considering the design of the new scheme, the trade union reps should consider could also specifically consider:

- **How will it relate to the existing pay system?**
- **Who will be included in the scheme?**
- **How will it operate – particularly how and when will performance be assessed?**
- **Are the required standards of performance and behaviour clear? Are they relevant to each particular job role?**

The scheme should allow clarity to every individual over the structure of their appraisal process, how their rating has been arrived at and how that rating has been converted into a financial reward.

If the focus is on outputs, these should be specific, measurable, accountable, results-orientated and time-bound or 'SMART'.

Acas describes SMART as standing for:

- **“specific** — objectives should state a desired outcome. What exactly does the employee need to do?
- **measurable** — how will the manager and employee know that it has been achieved?
- **achievable** — while it should be challenging, is it something the employee is reasonably capable of achieving?
- **relevant** — does it relate to the needs of the team/department/business?
- **timebound** — when does it need to be achieved by?”

- **Is any performance-related pay consolidated into the pay (which may lead to employees being paid very different salaries for the same job role) or paid as a lump sum?**
- **If paid as a lump sum, when will this be made (such as at Christmas time)?**
- **Is it pensionable?**

Is there an appeal procedure?

The appeals process for anyone to challenge their rating under the scheme should be clearly defined as for any grievance procedure, and display clear independence from the management that may have delivered the original biased results.

Can employees appeal both against the performance rating made and against pay reward allocated?

How will employees be told about the change?

Trade union reps should be involved in detailed training at the same level as senior management, and there must be adequate resources for suitable training of all managers and employees.

Ideally the system should be tested out initially on a particular group of employees before extending it to the rest of the workforce. Acas in their advisory booklet 'Appraisal related pay' (www.acas.org.uk/media/pdf/7/j/B10_1.pdf) advise that it should be tested on senior management so that a commitment to operating the system fairly and thoroughly can be fostered. It also "allows an opportunity to test whether the scheme is appropriate, meets its objectives and contains sufficient safeguards to be fair."

It will be important to ensure that the trade union is involved in the review of any pilot scheme.

If the system is to be introduced, will it then become part of induction training for all new employees? How will existing staff be trained? Is information given to all employees in a variety of different formats through meetings, presentations, written material, question and answer sessions etc?

Are sufficient resources (time and money) allocated for introducing and implementing the new scheme?

This includes sufficient resources for consultation, negotiation and communication, training and administration, as well as for the actual pay awards themselves so that the possibility of receiving one is not so remote for staff members.

Are there limits to the distribution and proportion of employees to get an award, and if so how is this calculated? If eligibility for pay awards is not seen as achievable for

all, but only as a remote possibility because of budgetary constraints, the system could be demotivational.

In addition, it is important that sufficient facility time is provided for workplace reps so that they can benefit from in-depth training, can communicate changes and consult with members adequately about the new system.

Will the scheme be properly monitored and reviewed?

A senior manager should be responsible for co-ordination of the scheme to ensure that it is applied fairly, paperwork is completed properly and deadlines are met.

They should also take responsibility for monitoring the scheme on its consistency and objectivity. All managers should be able to justify their performance assessments to employees and any subsequent differences in performance-related pay awards. Systematic records need to be kept of payments made along with the reasoning behind the decisions in a consistent, up-to-date format.

While not revealing individual results to all staff, the scheme should be sufficiently transparent at a collective level to allow for consistency-checking across departments and identification of any equality issues in results. Agreement should be established for a full review and evaluation of the scheme on at least an annual basis and, if results reveal any significant differences for protected groups, these should be investigated further.

For further help in negotiating performance-related pay schemes, contact your **regional officer** www.unison.org.uk/regions.

Also contact your **regional education teams and / or LAOS** to find out what training and resources are available to assist you with negotiating with your employer or promoting the issues in this guide with your members <https://learning.unison.org.uk/>.

Further guidance on pay and other workplace issues is available from the bargaining support unit www.unison.org.uk/bargaining-guides.

Checklist for negotiations

Can the employer justify why the change is needed and the time to be spent on implementing and managing a new performance-related pay scheme?

- Can they explain how it will not impact on the organisation's culture?
- Can they say how it will clarify the organisation's objectives and actually improve performance? How will it motivate staff and encourage productivity?
- How will it related to the existing pay system? And who will be included in the scheme?

Is any existing salary review or annual pay increase a contractual entitlement and if so, would introducing performance-related pay mean a variation in the contract of employment?

Is what is really required a general increase in wage rates going to all employees rather than selective hand-outs?

- Is it just being proposed as a means of cutting costs? What is the budget allocated to performance pay in comparison to fulfil service related increments? Will it be the only way that wages will increase?

Are the number or extent of performance-related pay awards to be limited by budgets or quotas, rather than responding to actual performance levels of staff?

Will it be the only way that good performance is recognised?

- Will it really enable the employer to recruit and retain staff on equal terms in the labour market?
- Will it discourage team work? Will the emphasis on individual performance-related rewards rather than on good public service delivery?

How is performance to be defined?

- Will it be classified by inputs, behaviours, personal attributes and competencies? Or by outputs or results?
- Will it continue to allow for service-based progression through pay scales?

How is performance to be measured?

- Will it use annual appraisals or performance reviews and is the use of these fully bedded in to the organisation before any performance-related pay is attributed to them?

- Are managers adequately trained and allowed sufficient time to carry out appraisals? Where managers are allowed discretion are there clear guidelines? Does this allow for objectives to be reviewed where there are changing circumstances?
 - Are employees clear about how much pay may be allocated through the performance-related pay system and how it will be calculated? If the focus is on outputs are these SMART (specific, measurable, achievable, relevant, timebound)?
 - Will the appraisal system still encourage personal development?
- How does the employer intend to ensure that the performance measurement system is fair?
- Are the criteria for rewarding performance clearly defined and achievable, and relevant to each particular job role, and any targets set fair and consistent across departments or teams?
 - Is the scheme able to adapt to changes in the workforce, working practice, service demands etc.?
 - Are performance criteria and objectives equally achievable in jobs typically carried out by women and men? Are part-time staff disadvantaged in comparison to full-timers? Are temporary employees and contract workers included in the system? How will staff still going through the probationary period, or indeed those on long-term sick leave or disability leave, or maternity or other family leave be assessed fairly? How is any award calculated for those employees who act as trade union reps and undertake trade union duties?
 - Has the employer undertaken an equality impact assessment of the proposed performance-related pay scheme?
- How will the performance-related pay system operate?
- Is any performance-related pay consolidated into the pay (which may lead to employees being paid very different salaries for the same job role) or paid as a lump sum?
 - If paid as a lump sum, when will this be made (such as at Christmas time)?
 - Is it pensionable?
- Is there an appeal procedure?
- Can employees appeal both against the performance rating made and against the pay reward allocated?

- How will the new system be introduced to staff?
 - Will the system be tested out on a particular group of employees? On senior management?
 - How will employees and management be informed and trained about the new system?
- Are sufficient resources (time and money) allocated to introducing and implementing the new scheme?
 - Are there limits to the distribution and proportion of employees to get an award and how is this calculated?
- Will the scheme be properly monitored and reviewed, on at least an annual basis?