

Merit Pay and Social Work

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1 Economization of Society

An economization of many social fields in Germany and other countries is under way, such as in the arts, journalism, education and science. Economic considerations have the upper hand in academic education (e.g., the introduction of tuition fees), while private co-payments have to be made for medical services (Schimank/Volkmann 2008, 382ff.).

Social workers, too, can reminisce about the “good old days” when they did not know and did not have to think about the costs of a certain action, in comparison with alternatives. Economization has also found its way into the profession of social work (Schimank/Volkmann 2009, 386).

In following the discussion about methods of social work since the early 1990s, one cannot deny that “since the beginning of the new millennium, all socio-pedagogical activities have mutated into ‘management’” (Galuske 2007, 333). The success story of economic methods of business management is based on the concept of so-called “New Public Management” and is mainly manifested in contract management and consequently in quality management. Contract management plays a central role in “New Public Management“. It is a management instrument that is characterized by completion of a target agreement or a contract. The contract defines, for a given period of time, who is to implement which goals, in a verifiable manner. Contract management can be applied both inter-organizationally and intra-organizationally. The main foci are merit target agreements for particular products, payment agreements for budgets and the establishment of success indicators.

Galuske (2007) states that terms and instruments like merit agreements, skilled service hours, benchmarking and budgeting are realized in the daily routine of all aspects of social work. He also states that these tools and definitions are having a lasting effect on social work. Furthermore, Galuske says that these terms and definitions are more familiar to students than technical terms such as socialization, education, development or “total institution” (333).

In the practice of social work, the increased economization seems to involve problems and reservations (Albert 2006a, 91ff.). Many social workers find it hard to accept the idea that economy is or should be the standard for everything. The field of economics, with the goals of maximizing profit and reducing costs, has always been viewed sceptically by social workers. “Many have seen social work as a vocational alternative to the free market, with its rather dubious aspects of competition and rivalry” (Albert 2006b, 26). The introduction of these economic principles and their resulting dominance in the interpretation of the goals of social work have drawn widespread criticism. The criticism is, for example, against business management as a key new science in the social sector (Gloel 2002, 45ff.), or against a solely materialistic standard for the quality of social work (Bauer 2000, 33ff.).

2 The Economic Principle of Social Work

Albert (2006b) states the recognition has been slow to develop, that social work is a service financed by society and the state, which therefore has to address the question of which (cost) criteria it is really operating by. Social work is required to prove its efficiency, by providing unambiguous evidence of its economic results. The client's specific and therefore cost-saving reintegration into (economic) society is the main goal, not the common social workers' conception of clients' relationship-management or personal self-determination (26).

With the concept of the "New Public Management" (or "administrative simplification"), several municipal and state systems were modernized, strengthening practicing the principles of cost efficiency and control (Albert 2006b, 26). The author further explains that after this major restructuring, it was almost a logical consequence that the social security systems had to submit to these new principles. The church-sponsored and voluntary welfare agencies in Germany were actually forced by the subsidiarity principle to transfer these economic structural concepts to their areas of work. The restructuring of social organizations according to the requirements of the "New Public Management" – that is, cost efficiency, marketing orientation, merit criteria, budgeting and controlling – not only changes the structure of the institution, but also the working methods of professional social work. "There are still large differences between the social and economic domains in job-related identity, but economic thinking and actions have definitely converged" (Albert 2006b, 27).

3 Professionalization of Personnel Management

The success of social work is highly dependent on motivation, degree of commitment, as well as qualification and competences of social workers. The significance of individual guidance and comprehensive and careful staff management is further increased by the very nature of social work: that social services are always interactive and only come about through the joint efforts of social workers and clients. The fundamental importance of personal parameters during the process of service results in a vital role for a general framework of a professionally qualified and personally suitable staff of motivated workers (cf. Merchel 2008, 854). The negligence of social work personnel management in this respect is astonishing, considering this background. Friedrich (2010) poses the question why discussion of factors that affect motivation, qualification and competences of the social worker staff has not yet found its way more emphatically into discussion of how the personnel management of social work should be organized (cf. Friedrich 2010, 9)¹. Personnel management is of particular significance in the service sector. Apart from the high cost of the staff, there is also the staff's influence on the quality of the service provided. Both factors have a big impact on the success of an organization. Recruitment, selection, development and loyalty of employees have become indispensable qualifications for the success of an organization (cf. *ibid.*). Social work institutions have a lot of catching up to do.

4 Merit Pay

For some years we have been able to observe a trend toward increasing flexibility in payment. This has found its way into social work through the new collective wage agreement (in Germany). The Collective Agreement on Public Service (TVöD) or rather the Collective

¹ The focal point of human resource management is the staff of organizations. The staff includes all functions of management and economy that center directly or indirectly on the employees of an organisation. It also includes all goals, strategies and tools that shape not only the behaviour of managers, but also the behaviour of employees.

Agreement for Public Service of the German States (TV-L), have replaced the German Federal Scale for Public Service Employees (BAT). The TvöD counts about 2.1 million employees in the federation and municipalities and another 900,000 employees in welfare services (Kolhoff/Kortendieck 2006, 129). The collective agreements involve the requirement to introduce modern payment systems in social organizations. A variable, skill-based and efficiency-related payment is supposed to achieve more personal responsibility on the part of employees and continuous improvement of performance-related structures and processes. The main changes of the TVöD and the TV-L compared to the previous BAT are the standardization of the collective agreement of several groups of staff members (workers, employees, guardians) and a renunciation of seniority- and family-related payments so as to achieve an efficiency-oriented and experience-related payment system.

Thus the variable and efficiency-related payment system was introduced with the TVöD. Performance bonuses and incentive payments are planned.

- The payment of a (temporary, revocable) merit bonus is based on a positive efficiency prognosis due to positive performance in the past. This payment may be warranted, for instance, for an employee whose quantity and quality of labour in the past period were usually above average and who is expected to continue this way in the future.
- A performance bonus is usually a one-time-payment, but it can be paid in installments as well. This is based on a target agreement.
- Through the incentive payments, it is possible for the employees and management of a company, institution, etc. to participate in the overall economic success of their institution. It depends on the business objectives, whether there are economic results that justify the payment of a bonus.

The judgment of which employees are to receive performance bonuses and incentive payments results from a systematic assessment of performance and/or from target agreements.

The introduction of an efficiency-related wage is based on the assumption that incentives, rewards and bonuses are suitable to increase employees' efficiency and to tighten the bond between employees and the organization. However, in scientific discourse, opinions diverge about this (Bernard 2007, 412). Another important, but rarely publicly discussed motive is to lower labour costs and allow currently fixed costs to become variable.

While target agreements attempt to increase the intrinsic motivation of the employees, the goal of an efficiency-related payment is extrinsic motivation. A rise of efficiency is supposed to be achieved through the prospect of a bonus, either a monetary bonus or a non-monetary reward (Hölzle 2006, 223f.).

5 Disadvantages of Merit Pay

Let's take a look at the evaluation of performance-based remuneration components introduced into social work. The literature describes several advantages and disadvantages.

Arguments against a performance-based pay arrangement are:

- Assuming a rather low incentive sensitivity on the part of the social work employees to the components of performance-related remuneration, typically two consequences

are possible: If the employees' performance level before the introduction of performance-related pay is low, cost savings are achieved, from the organization's point of view, for particular employees. But this is potentially attended by a decrease in the performance of these employees, rather than performance enhancement. At a high level of performance before this introduction there is a risk of suppressing the intrinsic motivation (cf. Klimecki/Gmür 2005, 306).

- The suppression of intrinsic motivation by explicit performance-based incentive and control systems in nonprofit organizations is called the "crowding out effect" and is contrary to the professional approach of social work (Prendergast 1999, 18).
- A payment-related focus on individual behaviour and individual decisions is rated as rather problematic because of the team orientation in social work, where the team spirit is a factor of success. Basically, performance-related remuneration can be designed in relation to the team as well. However, the practical examples indicate that individually based pay systems are preferred – similar to the remuneration system in profit-making organizations. A team-based pay system increases the complexity in practice and increases the above-mentioned problematic areas in (employee) management (Friedrich 2011, 83).
- By introducing a performance-based pay system, management relations will be strengthened and clarified by experience. According to Paul Watzlawick, communication can be symmetrical or complementary (Watzlawick 2007, 50-70). The complementary communicative relationship is underlined by management's assessing the performance of employees by means of payment. The communicative relationship ("we are all one team") may – depending on the organization – be problematic if the management relationship is negated (by management and/or employees). The sense of a complementary communicative relationship is clearly reinforced by payment: the management's assessment of performance changes the nature of its communication with the employees. And even if the employees can make a direct performance assessment of their leaders (which is rarely implemented in practice), this does not lead to monetary consequences for the leadership (cf. Friedrich 2011, 83f.).

6 Advantages of Merit Pay

In addition to the disadvantages, some advantages are mentioned in literature as well:

- It is possible and quite likely (but has not yet been explored), that the systematization of staff discussions can make communication between management and employees more concrete and more transparent. How this is experienced by employees and their leadership, is determined in practice by the concrete configuration of the conversations, plus the particular management relationships. All in all, the reflective potentials for social work are quite positive. The link to pay, however, is rather counterproductive, for the above reasons (Friedrich 2011, 84).
- The company's target orientation can be improved by merit pay. The goals are evident to the employees and have a high level of acceptance, since they have been communicated beforehand and are thus transparent.
- Systematic appraisal interviews can increase the awareness of the general conditions of the employees. They also make it possible to express reasonable requests to the

management, as well as political attitudes. If funding cuts lead to a de-professionalization, this can and must be discussed publicly in a data-based way, and political decisionmakers have to be made available.

- The dedication and concentration of the management with respect to the performance of the staff can be seen by the employees as an expression of appreciation (“nobody has noticed what I’ve done until now”). The social appreciation of merit is often underestimated and has to be communicated. Frequent and focused feedback encourages employees in their sense of autonomy and makes it easier for them to be successful in their desired course. This argument would become more effective if the managers had more access to higher education and could therefore develop their leadership skills, so that the employees would receive feedback. For this approach, the 360-degree feedback concept seems to be particularly suitable: feedback is given by managers as well as by co-workers and co-operation partners (cf. Friedrich 2011, 84; Bono 2010, 103f.).

7 The Research Project

All these are advantages and disadvantages are based on theory, but until now there have been no studies of the influence of merit pay on the social sector, especially on the youth welfare service. It is also unclear whether and how the merit pay system affects employees; this will be the subject of my dissertation. The dissertation is intended to contribute to the discussion of the development, introduction and application of merit pay in institutions of the youth welfare service. The research project should answer the following questions:

What influences does the introduction/implementation of merit pay have on social workers and managers in institutions of the youth welfare service? What risks and what opportunities are there for employees on the one hand and for the institution on the other?

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