

FROM COOL CASH TO CODED CHAOS

New Adventures in the Public Management of Pay Scales

Betina Wolfgang Rennison
WP 17/2005

MPP Working Paper No. 17/2005 ©
November 2005
ISBN: 87-91839-07-6
ISSN: 1396-2817

Department of Management, Politics and Philosophy
Copenhagen Business School

Porcelænshaven 18A
DK-2000 Frederiksberg C
Phone: +45 38 15 36 30
Fax: +45 38 15 36 35
www.mpp.cbs.dk

FROM COOL CASH TO CODED CHAOS

New Adventures in the Public Management of Pay Scales

Betina Wolfgang Rennison*

Department of Management, Politics and Philosophy, Copenhagen Business School, Denmark

Abstract

Communication makes a difference. The manner in which we communicate creates the phenomena we communicate about. It can seem obvious, but we are nevertheless seldom aware of the complexity this constructivist assumption implies. Through an analysis of a new salary system in the public sector of Denmark (called New Wage), this paper theorizes this complexity in terms of Niklas Luhmann's systems theory. It identifies four wholly different 'codes' of communication: legal, economic, pedagogical and intimate. Each of them shapes the phenomena of 'pay', the construal of the employee and the form of management differently. In this chaos of codes the managerial challenge is to take a second order position in order to strategically manage the communication that manages management itself.

Key words: Management; personnel management; human-relations; pay-system; communication; system-theory; discursive epistemology.

1. INTRODUCTION

"How on earth can it be so difficult to manage a paycheque? In this New Wage system there are so many and often conflicting considerations one ought to be aware of. You are walking a difficult tight-rope!" (Manager of an administrative office)

Something as simple as a paycheque can actually be quite a complex affair. The way managers communicate about salary in contradictory ways based on 'conflicting considerations' fosters a communicative chaos for the people involved. Moreover, it is precisely this complexity that establishes productive conditions for the creation of management practices. Complexity serves not only as a 'difficult tight-rope' for managers to walk, but also functions as a flexible opportunity to exercise the managers' creative abilities.

* Tel.: +45 29706060, E-mail address: bwr.lpf@cbs.dk

Whenever a new pay scale is introduced, therefore, there are always two stories to be told. The first is the story of *complexity*, the second is the story of *creativity*. These are stories about how to leverage and manage complexity.

My aim in this paper is fourfold. First, I want to contribute to an understanding of the *empirical* field of wage negotiations and human relations in public organizations by providing a detailed analysis of the so-called New Wage system in Denmark, a reform that was introduced in the late nineteen-nineties. Wage reforms following the general New Public Management reforms, featuring ‘managerialism’, performance and market orientation, are not as simple as advocates of this regime often seem to believe. They are always articulated in diverse forms. What is ‘new’ about the New Wage system is that it is now possible to code decisions about pay in many different ways with many different effects. This leaves the wage reform without any clear-cut sense of direction. There is no dominant regime – no ‘one best way’ of determining a salary. Communication about wages is far more complicated than ever before in the Danish public sector – and also more complicated than the designers of the New Wage system ever intended or imagined it to be. Chaos reigns, as the paper shows.

Second, I want to suggest a way of understanding this chaotic complexity through systems theory. Complexity stems from the plurality of the various forms of communication, i.e., from the different ‘codes’ that constitutes the societal and organizational modes of communication. Communication about salary connects to these codes and thereby propels the phenomenon of wages along trajectories defined by oppositional meanings and directions. I hope to make a *theoretical* contribution by showing how abstract codes develop in a concrete case of communication. In taking up a specific phenomenon and analysing how it emerges in a concrete empirical situation, the aim is to reinforce the results of system theory by adding a more empirically grounded analysis to the typically more theoretical analysis done in that field.

Third, I want to contribute to discursively based studies of organization by taking language and communication as the object of analysis (Grant et al. 1988, McKinlay and Starkey 1998 Fairclough 1995, Andersen 2004). I want to show how specific ways of talking create specific ways of coping with a certain phenomenon, thereby creating social reality. My point in this paper is that codified communication about salary and wages has constitutive consequences, not just for the character of financial compensation, but also for the articulation of personnel issues and the manifestations of management decisions. The question to be pursued here goes to how communication about the New Wage system is itself established. Which codes are selected and what consequences do they have for the understanding of personnel and the exercise of management? I want to point out that neither wage, personnel or management are permanent, pre-defined entities. They all take shape according to the particular code that the decision regarding wage is associated with at a given moment. In other words, the manner in which we communicate is anything but innocent. It makes a world of difference.

Finally, I want to show that this difference is the very stuff of management today. Like many other New Public Management concepts, The New Wage system does not merely represent an innocent 'management technology'. Rather, it represents a creative 'management polity' that establishes distinctions through the codes it deploys, i.e., sets boundaries in terms of how one can talk about what and whom. The chaos of codes is a creative way of establishing managerial power and of guiding the communicative process in a certain direction. Managing the New Wage system not only makes life harder for the managers (as the epigraph shows) it also gives them the managerial freedom to choose which arguments are to be actualized and which to leave behind as potentials to be actualized at another time. It gives them a freedom to manage and therefore the challenge of managing that freedom itself. In making this point, focusing on management as a social construction, both socially

constituted and socially constitutive, I hope to identify an important challenge also for critical management studies (Alversson and Willmott 1992, Alversson and Deetz 2000, Calás and Smircich 1997, Fournier and Grey, 2000). Freedom is not easy – whether one wants to manage it or study it.

2. EPISTEMOLOGICAL POSITION

The study of wage and management presented in this paper is formulated in general opposition to traditional management research, and to personnel-related literature in the specific area of Wage systems (Deci 1975, Akerlof 1984, Williamson 1996, Frey 1997, Ibsen 2002), Employment Relations (Beaumont, P.B. 1995, Farnham 2000, Gennard and Judge 2002, Madsen 2002) and Human Resource Management (Guest 1999, Storey 1992, 1995, Sisson and Storey 2003). Those perspectives traditionally adopt a behaviouristic position focusing on the actual behaviour of actors and are guided by a normative ambition to discover ways of improving this behaviour by diverse managerial technologies (including performance-related pay). By contrast, my focus is on *communication* and the ambition is a *descriptive second-order observation* of the way people observe, communicate and thereby create the very reality of wage, personnel and management in certain ways. My ambition is not to focus on actual behaviour. I want only to say something about the way communication concerning wages is constructed and what consequences this has for communication about personnel and management. Inspired by the sociological theory of systems (Luhmann 1997, 1998, 2000a), which proceeds from the assumption that the world is constituted by communication and nothing but communication, I want to analyse how a certain instance of communication, namely, communication about wages, develops.

By taking the construction of communication as its object, the paper inscribes itself in the

so called 'linguistic turn' and establishes a discursive constructivist perspective. This epistemological framework sees communication as a process of world-construction, which has the consequence that our horizons literally expand. When a social phenomenon is constructed by the way we communicate about it, when essence is substituted by emergence, when substance is replaced with form, an almost endless space of communicative construction and production of meaning opens up. This makes for a range of opportunities for communicative flexibility and development, but at the same time fosters complexity, insecurity and the need to be selective. Which specific kinds of significance are we to create? Which form of meaning are we to choose?

The choice is hardly unimportant. A specific form of communication creates a specific meaning and excludes everything else. Moreover, it brings constitutive consequences, not just for the particular phenomenon (and thereby for *what* the communication deals with) but also for *whom* it articulates as relevant or irrelevant, included or excluded. This becomes clear in the following analysis of the communication about pay.¹ But first an introduction to why wages become a topic of interest in a management study in the first place.

3. EMPIRICAL BACKGROUND

The Danish wage reform called 'New Wage' first saw the light of day as a result of collective bargaining in 1997, and has since stood its test in the workplaces of the public sector. The test has not been simple. New Wage has meant entirely new principles for wage formation. And, as studies have shown, it has led to a fundamental shift in the manner of conducting management, for the perspective on employees, and for organizational operations in the public sector (Pedersen and Rennison 2002, Ibsen 2002, Madsen 2002).

The New Wage system implies that the allocation of wages no longer proceeds solely in

terms of the administration of centrally negotiated agreements, seniority tables, positional hierarchies, and norms regarding solidarity. To the contrary, decisions about wage must be formed and managed depending on the local organizational context, along with individual functions, qualifications and performances. In principle, New Wage ‘sets pay free’; it moves decisions from the organization’s centre to its local sites; the kindergarten, the school, the old-age home, the hospital etc., where it becomes a theme in a large number of managerial situations.

What is ‘new’ about New Wage is that it renders it possible to actually *talk* about wages. Wages become a communicable entity; something one must take a stand on and decide about in the individual organization. Wage no longer constitutes a firm, indisputable form – it becomes disputable. It can be articulated in different ways and thus assume entirely different forms. Decisions about wages become complicated.

4. THEORETICAL FRAMEWORK

Wage attains a specific character when it becomes a theme in managerial communication: it is at once the same *and* different. How is that possible? To gain a better understanding of this change, we can refer to the system theoretical postulate of functional differentiation, and to the thesis that organizations subscribe to different functional systems, through specific media and codes when making decisions (Luhmann 1977, 1998, 2000a).ⁱⁱ As particular categories of meaning, the media and codes connected to functional systems create a certain basis for decision-making, a unique framework for orientation, and a horizon of expectations, all of which can be referred to in managerial communication about wages. Consequently, the wage theme is formed by the codes chosen, and it appears differently according to the chosen code. Pay is still pay, but it is also something other than it was before: decisions regarding salaries can be imprinted in various media and codes. They can then assume entirely different

characters with entirely different consequences for management and personnel.

One could argue that a contemporary public organization no longer represents a homogenous entity that allows it to be dominated by a single code as was the case prior to New Wage, where the legal code exclusively determined wage determination (Pedersen 1998). New Wage opens up the possibility for an organization to assume a heterogeneous character that refers to multiple codes in communication about wage. Wage formation changes from the passive administration of a single primary code to creative management with many possible codes. Polyphony becomes a condition of management (Rennison 2003, Andersen 2002).

When one observes how wage is communicated in public organizations a number of different frames of reference emerge. In my study of the Danish municipalities I have identified four different communications systems and analysed how they come into play:

- The legal system with the medium 'law' and the code 'legal/illegal';
- The economic system with the medium 'money' and the code 'payment/non-payment';
- The pedagogical (educational) system, with the medium 'progress' and the code 'better/worse';
- The intimate system, with the medium 'love' and the code 'loved/not loved';

As my study shows, the respective forms of communication each form decisions about wage in their own way. By subscribing to them individually, an entirely unique horizon of meaning is opened for the appearance of wage, personnel and management. In the following, we will examine the various forms of communication and observe how they each make a difference.ⁱⁱⁱ

5. THE LEGAL CODE

“When I decide on a given salary for my employees I mostly look at the collective bargaining agreements for that given profession, I look at our already made local deals and the policy about New Wage we have made in our house – I look at the rules you can say.” (Manager of a residential home)

As the quotation shows, this manager, like many others, uses a legal way of argumentation in decisions pertaining to wages. They become a question of legal/illegal, of what the personnel has a right to be paid in relation to the existing rules. Wage is regarded as a *right* and the employees emerge as purely *legal objects*, which are reflected in relation to the adjustment of the different rules; the collective bargaining agreement or the organizational wage policy. In general, establishing a connection to the question of rules and rights means a “going beyond a point of no return: one defines oneself for the future as prepared to stand up and actively defend one’s rights.” (Luhmann 1981: 241).

Legally coded communication is constituted around various themes, such as the question of how ‘equality before the law’ is to be ensured in a more individual wage system, as well as the maintenance of the principle of *universality*. With the New Wage system the old principle of equality and solidarity are suddenly substituted by differentiation and individuality, raising many questions about securing equal rights and avoiding discrimination. As a head of a local trade union notes, “How do we make sure that our members get the salary they actually have a right to – and how do we avoid someone getting discriminated against in this much more individualized system!?” Legal rules would seem to be the answer.

At the same time, a theme emerges regarding the *predictability* of the wage system. Here the legal code is referred to a question about how a certain measure of security can be installed, as well as how a transparent and objective wage determination can be ensured in a system that is, at least in principle, floating freely. A personnel manager describes the problem this way: “New Wage is in danger of valorising the person whom the leader likes. The unions are of course afraid of that ... that’s why we have an interest in making the system as objective as possible.” Securing a kind of objectivity in a subject-fixed system is a

challenge for both employer and employee and the legal rules therefore remain the solution.

The legal argumentation accordingly takes up the theme of *standardization* in wage formation. Here legal communication refers to a well-organized, objective planning process, where nothing is left to coincidence; instead, it is registered in a prescribed regulative, strategic and procedural order. As a vice director in the social sector explains:

“To secure that it won’t be coincidence that determine the result we want a legal frame for the individual rewards. It’s important that it’s because you comprehend to those things that’s said in the agreements, policies and procedures, that you get points and coins.”

Apart from securing a more standardized, predictable and universal wage setting, the function of legally coded communication is to minimize the risk of conflict. By referring to the current rules that clearly signal normative expectations concerning rights and obligations one can reduce the amount of conflict. The legal rule represents an “expectations stabilizer”, the function of which is to adapt expectations such that disappointment can be avoided, collisions are pre-empted and conflicts prevented. As a local leader of a social institution says: “For us the starting point was the professional standards and rules, whereby we established a solid ground for the negotiations so that we avoided unnecessary conflicts.”

In that sense, legally coded communication implies conflict-reduction, where the decisions and rules that are made get through the ever-present potential conflict between employer and employee in a form that limits its development – for a time, at least. This is the very point of labour legislation, i.e. that rules transform conflicts of interest into legal conflicts. At the same time, this means that rules and formalized rights and obligations de-personalise conflicts. Legal codification transforms every discrepancy into a matter of right or wrong, according to the rules, such that all personal matters are thereby excluded from the communication. That the rules in this way de-personalize are for some of the interviewed

managers quite a relief.

MANAGEMENT AS AUTHORISATION

When considering communication about pay from the legal perspective, management emerges in a particular manner: as *authorisation*, i.e. a demarcated sphere of responsibility that is allocated the formal right to state the rights and obligations of the personnel, to assess their behaviour, and in this sense, to judge the extent to which a given level of pay is justified. Authorisation competence is delegated to the management with the consent of others and in this sense the authority of management is in line with the views of Talcott Parsons and Herbert Simon. Authority is here an institutionalised and accepted right to influence the behaviour of others (Parsons 1949: 171, Simon 1965: 146). Management doesn't function through the simple exercise of force, but is supported the prearranged consent. That is just what authority is. As Luhmann puts it: "One can only gain influence *in* a system by submitting to the influence of the system." (Luhmann 1997: 169).

Authority is an institutionalized, formally delineated (i.e., "authorized") managerial competence to make decisions on the background of decisions already made in the past, such as diverse wage agreements (conditional program), wage policies (goal program) and wage procedures (procedural program). All types of decisions that have been made in the past determine the guidelines for who gets what, why, and how – thereby constituting a body for legal referral and provisions of authority. There are some generally accepted and legitimate rules that the manager can refer to when making decisions regarding wage. These rules anticipate the result of decisions; they substantiate them and serve as an instance to be appealed to in cases involving doubt. In that manner, the legal code renders situations foreseeable and reduces the amount of uncertain communication. The existing matters that have already been determined constitute the body of reference. This makes for advantages in

tempo; the manager's position becomes easier and it facilitates the decisions she must make. The rules provide her with the necessary reasoning, the justifications – it is beyond discussion. Authority can be seen as synonymous with a situation where arguments stop and things are self-evident. Rules automatically provide a sense of superiority. As such, authority in management functions via a sufficiently explained and reasoned decision, where reference to the current rules provides convincing reasons for the decisions made. In that sense, authority can be understood as a *justified superiority of conviction*. Superiority of conviction clarifies uncertainty, reduces conflicts and creates social order.

A legal code is therefore quite convenient, which is why we continue to see an array of rules, policies and procedures concerning the regulation of decisions about wages. So even though the intention behind New Wage was to provide liberation from the 'tyranny of rules' and less bureaucracy in wage formation, a 'juridification' of communication about pay remains in force. A manager from the technical sector has this way of putting it:

“It's so typical! They say that we are to have a New Wage system in the public sector, and the first thing they do are to make an enormous set of rules for the way we are to administer the wage. But one has to be careful not to make it all a question of rules!”

In actual fact, there are other ways of expressing the problem. The legal code is not the only one that forms communication about wages.

6. THE ECONOMIC CODE

“It's all about supply and demand – and the employees must learn to sell themselves and show their competences so the managers can make their decision of whether or not they can and will recommend them a certain salary.” (Manager of a social institution)

In accord with the New Public Management paradigm, questions regarding financial profitability are increasingly raised in relation to the public sector. It is no longer sufficient to

focus solely on legality; it has become necessary to include consideration as to what can profitably be done in a given situation. This is also the case in relation to wage formation. Here, the legal code gets competition from an economic code. An economic code registers communication regarding wage in the *money* medium, and the code *paying/not paying* constitutes the binary logic referred to. Decisions about wages are not concerned with whether the individual has a right to a given level of pay or not; rather, they are concerned with what the employee in question deserves to receive payment/non-payment for. The salary represents payment for work performance and functions also as an *incentive* in relation to doing more and better. An implicit premise for the design and implementation of the wage reform is that economic incentives in the form of personal wages contribute to the regulation of behaviour and influences the employee to come up with a greater and better work performance. In this way of communication the personnel are articulated as calculating and profit-maximizing *wage earners* who allow themselves to be regulated and motivated by prospects of wage-increases. The individual wage earners are assumed to voluntarily act in the absence of rules or control steering, but only as prompted by economic incentives. Wage – and therefore money – is regarded as a motivational instrument, motivating via positive sanctions; it works through offers of economic earnings resulting from the will to work. Wage is established as a motivational factor and provided as a symbol of demand for improvements in terms of efficiency and quality. Decisions about wages then deal with assessing the ability of the individual employee to master the ‘trinity’: incentive, performance, output.

Economical coded communication raises a variety of themes. First of all, there is matter of *profitability* and whether it pays to pay a given wage for a given effort. Economically coded communication employs financial calculation; an estimate is made on the basis of the opportunity to pay or not pay a given salary for a given function, qualification or a given result. The available payroll resources are calculated, along with how they are prioritised in

terms of the greatest possible utility for operations and the management of assignments. Cost-benefit analyses are conducted; the costs related to certain labour inputs cannot exceed ‘the earnings’. The greatest possible utility must be ensured from the resources spent, i.e. we must have value for money, and a balance must be found between performance and returns. That is the logic in an economic fixed communication.

Moreover, the argumentation is also constituted around the *evaluation* of labour, and attention is directed at what the employee is worth by virtue of being a factor in production and investment and how the individual can thereby be ‘priced’ in relation to the external and internal labour market. As a director of a social sector says: “It’s now a legitimate point of view that I want to buy the best possible manpower at the lowest possible cost – as a manager I want as much out of my payroll as possible.”

MANAGEMENT AS TRANSACTION

In economic codification of this kind, the act of management, I would say, emerges in a unique manner, i.e. as a *transaction*. In this transaction, economic possessions are exchanged in accordance with productive performance; money is exchanged in accordance with work done. This occurs on the basis of a rationale regarding reciprocal impact on the constitution of the two variables: the greater and better the work effort, the more cash will be seen on payday. And more money is equated with greater willingness to put in an extra effort, which makes for increased efficiency and improved quality, such that the entire exercise, ‘other things being equal’, pays for the organization. That is the reasoning.

The management of the transaction is part of the past as well as the future – exchanges are

made both on the background of the services rendered and the expected yields. The yields must be weighed: that which was or that which will be, against that which the employee is achieving at the present, or that which she will achieve in the future. The transaction operates in the tension between payment for services rendered and payment for services that *will be* rendered. The transaction is not merely a simple exchange of known and already provided services, but also a more complicated exchange of virtual possibilities, i.e. 'future options'. Transaction management thus employs a classic financial 'option thinking', where a potential return is calculated in relation to a given investment. The employee is not merely regarded as an expense, but as an investment; on the background of careful calculations of input-output streams, they are assumed to be capable of creating increased value and provide the proper yield. In order to conduct such a form of financial fortune telling, transaction management depends on an analytical capacity to be able to analyse the future potential for action of the employees and assess the share of the allocated wage, of the '*venture capital*', in relation to inciting this potential.

The object of the transaction is the calculation of whether the reciprocal streams of contribution and payment balance out, thereby creating, other things being equal, the right trade-off and a balanced 'quid-pro-quo' relation. The transaction must create a system that simultaneously grants consideration to the interests of the employer and employee alike, as well as accounting for the contrasts in the allocation of risks. It is decisive to find the right trade-off between, on the one hand, the expenses involved in getting the 'risk-averse-agent' to bear a greater risk, i.e. increased salary contracts, and on the other hand, the incentives that such contracts are imagined to have. The trick is to construct an incentive-compatible relationship that is shaped in such a manner that, to the greatest possible extent, it becomes the best interest of 'the agent' herself to act in accordance with the interests of the 'principal'. From the outset, the interests in the transaction are different, and they continue to be different;

however, in spite of everything, they must be made to converge in the efforts to achieve value equivalence and mutual benefit. In relation to this Luhmann defines a transaction as “a communication, that re-symmetries the asymmetry of the service.” (Luhmann 1999: 256). That is the ambition of economically coded communication.

Moving away from the economic perspective and allowing observations to fall upon another codification around which communication about wage is oriented, the pedagogical code emerges. Let us see how that code develops.

7. THE PEDAGOGICAL CODE

“It’s just like passing an exam – some gets high grades, some low – it all depends on their qualifications, how good they are to their job and how willing they are to learn and develop further on. That’s what makes the difference!” (Vice director of a social sector)

In the pedagogical code decisions about pay are led by the medium *progress* and the code *better/worse* in terms of the level of qualifications and developmental progress involved. This form of communication is mounted to sort the personnel on the basis of the code better/worse in relation to what can generally be expected of a person in their given position, with their particular education, experience etc., and in relation to the norms for quality established in the organization.

This communication is particularly occupied with thematizing *individuality*: each employee is construed as a particular individual. On this view, every individual is unique and something special, something which ought to be reflected in the paycheque. Individuality

must be respected and lauded, while the conception of ‘solidarity at any price’ is in retreat. As a union representative from a social sector explains:

“We have been used to the idea that solidarity was the right thing. We haven’t judged whether some people were better than others at doing their work. For a hundred years we have believed in that, and now we have to change our point of view so that we find it okay that there are differences and we don’t get the same wage. It’s quite a change!”

In the New Wage system the employees are not seen as equal; they are seen as different but with equal worth. They have a number of different talents to offer; each individual is regarded as a reservoir of potential talent. And it is the responsibility of management to create the framework for the best development and utilisation of these potential resources. In so doing, organisational and personal development can be coupled with the determination of pay. That is the logic of the pedagogical code.

In a regime of communication that strives for continuous self-development, the theme of *perfectibility* is also of interest. As an employee in a kindergarten expresses it: “One must never stand still in this wage system! It’s important that we innovate and qualify ourselves all the time – we have to move further on to move further up the salary scale.”

In the progressive efforts towards self-motivation and self-improvement, the *correction* theme also becomes quite significant. Communication about wage is here oriented around observations as to how the individual corrects herself in order to attain a higher objective for development and thereby a higher wage level.

In pedagogically coded communication, salaries are neither allocated as a right nor as payment for rendered or expected services; rather, they are allocated as a *mark* of merit, as a distinction for progress made in the development of the clever ‘pupil’. The employee is

precisely perceived as *'the pupil'* or even as *'the child'*. She is to be formed, modelled, and developed in a constant process towards perfection and fulfilment. She has not yet reached her final form – learning is a life-long experience. Pedagogical communication is guided by a distinction between potential and perfectionism, between the unfinished and unformed and that which is in a state of completion. Here the most important skill becomes the ability to perceive oneself as incomplete. The most important competence is the competence to develop competence.

In other words, pedagogical communication is not exclusively made in terms of the employee's professional skill; it is also expressed in terms of whether the individual in question is better or worse than their colleagues at learning and – not least – at learning how to learn. The individual employee must perceive herself as being in an emergent *'becoming-movement'* that never ends or is completed. As Michel Foucault put it, "the target nowadays is not to discover what we are but to refuse what we are...and to build up what we could be" (Foucault 2000b: 336). The employee does not merely have the right, but also the *duty* to develop herself. Nobody is allowed to stand still or to stall in his or her development. Progression must have priority over stagnation. Only development is rewarded. That's the point in the pedagogic communication.

MANAGEMENT AS SUPERVISION

In pedagogically styled communication, management assumes the form of *supervision* of the development of the individual's competences and her developmental competence. As in a panoptic arrangement, supervision is conducted as to who is better/worse in terms of development, as well as in terms of who has the ability to discipline themselves in the light of continued progression and perfectibility. The status of the personnel's self-adjustment is thus monitored: is the individual employee aware of her strong and weak sides? Is she willing to

do anything about it? Is she developing or standing still? And what can possibly be done to spawn further development? The supervision proceeds as an observation of the employee's self-observation; firstly, in order to examine and assess, and secondly, in order to implement 'supportive measures', e.g. strategic plans for the development of competence, that guide in the desired direction.

Supervision manages via self-management; it is management at a distance, which establishes the frame for the individual's self-development. By helping employees to help themselves, the objective is to invite the individual employee to reflect upon her past ways of thinking and acting in order to attain a reformed (developmental) behaviour; and then, if possible, a bigger paycheque.

Managerial supervision operates in the form of subtle and extensive supervision. Without appearing authoritarian or dictatorial, it indirectly forms individual employees so that they are inclined to behave in a certain and desired manner. It is the art of enabling the supervisory discipline to assume the form of an internalised discipline or self-discipline, where the individual, when appraising her own efforts, accounts for the circumstance that she is subject to supervision that never deems her services rendered as completely satisfactory, thereby encouraging continued improvement. The individual employee must be strengthened and provided with an opportunity to develop freely, while she must at the same time be guided in a manner such that the optimal capacity for development produces desired results – and nothing else. The pedagogical code picks up on individuality, but in a unique manner. It proceeds on the basis of a pre-defined and goal-oriented model. The pedagogical approach is not unconditional; nor is just any and every sense of individuality acknowledged. The pedagogical approach is guided by *telos*, not *pathos*. Pedagogical communication about pay is led by whether the individual employee is better or worse than her colleagues at continually developing and correcting herself in one of the directions desired by the organization.

Distinction is drawn on the basis of a common form, and it matters on which side of this distinction the pupil is placed. It is a distinction that makes a difference.

8. THE CODE OF INTIMACY

“What I say to my employees? Well a course certificate doesn’t count – it isn’t enough. No, the important thing for me is the way they commit to the work and this workplace – does it matter to them? Do they seem engaged and involved? Are they taking responsibility for this organization? Its things like this I notice when I decide about New Wage.” (Manager of an administrative office)

Intimacy is another way of coding wage communication. When decisions about pay refer to an intimate coding, the medium is *love* and the code is *loved/not loved*, which makes a difference for a given determination of wages. In intimate communication the focus is on the most personal aspects of the employee’s characteristics; attention is paid to the employee as an individual *person*, a human being. The appeal of New Wage to individualisation intensifies the personal factor in relation to pay. It is now the employee as a person, not merely as possessor of a function and member of a profession, which is the object of communication. This means that we are drawing nearer and nearer; we are becoming increasingly intimate (see also Andersen and Born 2001). It is not just the professional functions and qualifications that are relevant. The employee’s personality and individual characteristics are considered and judged in terms of loved/not loved. A personnel manager shares this experience: “The employees feel that we are getting very close to their personality when we want information about their qualifications – in this situation they sometimes feel we are getting a little bit too close.”

The judgement of the person does not refer to the fulfilment of given objectives for development, as in the pedagogical code. Using the code of intimacy, the employee is observed as she ‘is’ in her unique presence. The theme is *authenticity*. The unique sense of individuality is treated as such and no attempt is made to convert and correct it in relation to a

certain telos. In terms of intimate communication, you can take me as I am or not, you can love me or not, express affection for me or indicate your contempt.

In the terms stipulated by such intimate coding, wage attains crucial a symbolic function: wage is allocated as an extremely personal *declaration of love*, signalling who is loved and who is not loved. Those employees who assume the role of *engaged partners* on their own – even without being asked to do so – are particularly loveable, e.g. an employee who passionately devotes herself to the organization, assumes responsibility for it, anticipates its needs and subsequently works to fulfil them. In that manner, the employee can render herself coveted and rewardable. A distinction can then be drawn between those who are loved and those who are not – those who are acknowledged, and those who are rejected.

Intimate communication about wages is therefore not only expressed in terms of a toning of the employees' personal characteristics – which the manager can admire, despise, tolerate, or take notice of. According to the intimacy perspective, the decisive aspect is the assessment of how the individual employee relates to the organization and its perception of reality. Has the employee embraced the organization? Is the employee empathetic and does she put herself in the service of the organization instead of looking after herself? Or put differently: does she make the place of the organization her own? Is the employee continually able to incorporate thoughts about the organization, its work, objectives and interests; to (re-)create herself in its image? Is the employee willing to dissolve the strict division of work and life and include work in her life as such? This is decisive for the result of decisions about pay.

MANAGEMENT AS SEDUCTION

Management emerges in a particular way in intimate communication, namely, as *seduction*. The aim is to seduce the individual employee to give herself to the organization

passionately – to become engaged in it with all of one’s being, one’s whole heart. This seduction is an attempt to foster an internalised relationship between manager and employee, where the partners are united as whole selves and significant others, i.e., each as the ‘better half’ of a marriage. One is preoccupied with how the wage form can initiate the binding of person and organization in a relationship that does not mark difference, but unity. The wage and managerial relationship is not thematized as a us / them relationship; rather, it is constituted on the basis of a conceptualisation of a ‘we’. It is not the legal object versus the authoritative body, the wage earner versus the employer, or the pupil versus the supervisor; to the contrary, it is the employee *and* the manager as one another’s better half – as a united whole – that constitutes the relationship. Seduction thus aims at the *absorption* of the employees and not, as is the case in the pedagogical code, at their reflection. Management is not about getting the employees to stop and reflect over their practice; it is about getting them to fall in stride, to become absorbed, allured and tempted.

The tricks of seduction include diverse platitudes, gestures and ‘come-ons’. One counts on ‘the ladies’ to see through them, of course, but one nevertheless knows them to be effective. ‘Values’ are for example one of the best tricks in the present age’s elaborate arts of seduction. By formulating a shared foundation of values, the organization installs a sense of wholeness – a perception of a shared destiny. The employee is seduced to love the organization with the help of positively charged values such as responsibility, cooperation, openness, dialogue, learning and engagement. At the same time, she knows what she is to orient herself towards in order to make a good impression and make herself irresistible to the organization. A manager of a social institution explains it in this way:

“When we manage in relation to values in stead of rules the employees’ is not only active from eight to four o’clock – they are committed all the time. This responsibility is an integrated way of being a human being. In the way we work today its very

difficult to separate things – you aren't one person at work and another at home.”

The values attract and involve. Not only do they involve the employee as one who does her duty, demands her rights, and generally works according to the rules. No, the employee feels drawn in and involved as a whole person, committing herself to keeping with the values and working in accord with them – also after work. The legal objects of rule-regulation must see themselves overcome by the impassioned partners of values-management.

Intimate communication thus allows the wage and managerial relationship to be characterised as a relationship wherein the employee is seduced to devote herself to the organization. On the face of it, this can appear like force or control; however, the logic is more ingenious. The trick is to provide the employee with the freedom to give: through the delegation of responsibility and requirements concerning self-management, the employee receives a free framework to demonstrate her 'love'. Intimately coded communication about pay is programmed according to the message of love, 'providing the other with the opportunity to give' (Luhmann 1986). Here, the intimate relationship is about how space is provided to the partner to enable her to give – not just something specific, but first and foremost a part of herself. The partner is invited to give something of herself in the double sense of giving a part of oneself to the organization, and of doing it on one's own, i.e. without being asked to do so. Ideally, it is not necessary for the organization to make requests or issue orders. The management does not ever have to control the employee, as that would constitute a breach of confidence in relation to the beloved employee. The employee is supposed to figure out on her own what the organization requires. There is a sense of failure over having to actually make a request of the other about something. It ought not to be necessary to make such requests of one's 'beloved' in order to get them to act. Orders and instructions are fatal for love. Anticipation and pre-emptive action; instead, breathe life into it. Love is rooted in an

anticipatory logic; it is an instrument for the fulfilment of unarticulated desires.

The ingenious aspect of this intimate relationship is that power appears to be absent. This, however, is hardly the case. It merely appears in a different and less conspicuous form. Power is constituted in the air of uncertainty created by an anticipatory logic of this nature. Power is established when the employee is told ‘something’ *without* being told precisely what it is. It is maintained by the employees’ uncertainty and their constant search for what the manager wants. Power is alive and well in the eternally insecure quest to do the right thing – the appropriate act in a given situation. Just look at the way this manager of a social institution describes it:

“Our system is based on value-based-management – we have very few rules. It certainly creates a lot of insecurity for the employees, but that’s the whole point! This insecurity forces the individual employee to be committed to make contact with herself – and it demands a way of independently handling the situation.”

As such, power is actually everywhere, but in a particularly quibbling and inconspicuous manner. In that light, the power-exercising figure can always claim, ‘I do not exercise power – I just provide freedom’.

9. COMMUNICATIVE CODE CHAOS

In the above I have illustrated various codes that decisions regarding wage can refer to. Each code constitutes a particular regime of communication, encoding communication in an entirely unique manner and entailing sharply contrasting perspectives on wage, personnel and management. The figure below collects and illustrates the differences.

<i>System</i>	Legal	Economic	Pedagogic	Intimate
<i>Medium</i>	Law	Money	Progress	Love
<i>Code</i>	Legal/ Illegal	Paying/ Not paying	Better/ Worse	Loved/ Not loved
<i>Theme</i>	Universality Predictability Standardisation	Particularity Profitability Price-setting	Individuality Perfectibility Correction	Intimacy Authenticity Anticipation
<i>Wage</i>	Legal right	Economic incentive	Merited mark	Declaration of love
<i>Personnel</i>	Rights demanding legal objects	Calculating wage earners	Pupils fit for development	Engaged partners
<i>Management</i>	Authorisation	Transaction	Supervision	Seduction

Fig. 1: Codes of communication about pay

In my observations of communications regarding wage in public organizations, the various codifications are all found in varying degrees. And it is often not an ‘either-or’, but typically a ‘both-and’, where decisions about wage are stretched between divergent and competing codes. The concrete decision therefore proceeds in the form of a steady flow of reasons and explanations, wherein various regimes of communication are put into play and create certain limits and opportunities for the course of communication, for the appearance of management and for the articulation of employees.

The various codifications make for a complicated decision-making situation, where codes are continuously chosen, renewed and replaced. Pushing and pulling in different directions. Communication can be constructed pedagogically one moment, while in the very next moment it can be deconstructed in terms of economic communication, with extensive consequences as a result. At any one time, communication can shift from the one perspective

to the other, such that in the course of a single instance one finds oneself in another world. These shifting perspectives can result in disruptions, rendering situations unclear for the participants in the communication. The communication is infected with disorder and unpredictability: 'Just when we thought that this is what it is all about...' The confusion is total.

10. MANAGEMENT AS SECOND ORDER DECISION

Navigating this communicative code chaos – or handling the offered flexibility – is precisely the managerial challenge inherent in New Wage. This makes management a second order activity concerned with making decisions about which code the decisions are to be made in relation to. Management is put in place as the *medium for second order decisions*, i.e. decisions about how decisions are to be made. The function of management is thus to 'draw distinctions between distinctions', and select the form of communication in which the decision about wage should be coded. Is it the legal code I want to use right now to fulfil my argument for a certain salary or is it more convincing to refer to economical aspects, or what about doing it the pedagogical way? – or maybe even appeal through the code of love? All possibilities are open – it's up to management to specify the relevant contingency.

This makes management a difficult craft – on the one hand it must reduce uncertainty by making decisions about decisions; at the same time, uncertainty must be produced by maintaining the choice between various alternatives. Management must keep the communicative sphere of possibility open – and at the same time determine limits and effect communicative closure. Management is never boundless; to the contrary, it is indicative of a process where limits are continuously set in terms of what is possible and acceptable at a given moment.

This, in principle, free selection of the form of communication outlines a fundamental powerbase for management. This base is not concerned with direct regulation of the behaviour of actors – ‘making B do something that B wouldn’t otherwise do’ – but is concerned with the observation and regulation of communication, of codified distinctions – and thereby the discursive point of reference for the persons involved. This reference establishes a particular horizon of meaning, which might affect actual behaviour at a distance. In line with the critical management tradition, the object of management here shifts from ‘the actors that behave’ to the communicative processes that creates specific subject positions and sets up possibilities for acting in a certain way. These communicative and creative processes can be labelled ‘management’.

To sum up, we can say that management is a form of communication that performs second-order decisions about which codes the first order decisions are to connect to. In so doing it creates conditions for its own realization and forms the way management takes form; as either authorisation, transaction, supervision or seduction and makes certain subject positions for the personnel possible; be it as legal objects, wage earners, pupils or engaged partners. This implies that management is much more than a technical function concerning ‘planning, organizing, coordinating and controlling’, as classical management theory and its modern advocates propose. Management is a social and communicative construction that creates reality. Management can be seen as a micro-political arrangement, where different views of the world, different and conflicting codes fight for the right to define reality. Management is a game of strategic communication which doesn’t only ‘walk the talk’ but also ‘talks the walk’.

11. FURTHER CONSEQUENCES

All this raises important questions:

1) It raises first of all the question of *priority*. Which considerations are to have priority and which are to be downgraded in a communicative process where all forms of codification are possible? You can also ask which problems you would like to face. All the codes have their side-effects:

- The legal code turns everything into a question about rights and obligations. But what does it mean for the organization if the employees exclusively stick to the letter of the law and continually insist on their right to a given salary? On the other hand, what does it mean for the employees if the organization regards them solely as objects to be classified according to standardized arrangements? Is it just the enforcement of law and order or is it an expression of impersonal alienation?

- The economic code focuses on calculated quid-pro-quo balances which, if taken to extremes, can result in employees who only want to take on jobs and responsibilities if they get paid for it. What are the consequences of this valorisation of cool cash?

- The pedagogical code is occupied with individual progress, which raises a question about the consequences for the core service, e.g., caring for the elderly, nursing the ill, teaching children etc., if an increasing amount of time is devoted to one's 'obligation' to develop and reflect upon one's self.

- Finally, the code of love actualizes, with its focus on intimacy, a question about when this intimacy gets intimidating. What about the integrity of the individual when the management of personnel and pay continue to encroach further?

Those critical questions show that the management of pay is a question of choosing between problems to deal with in shaping the organizations and its members.

2) Secondly a question about *legitimacy* turns up: What counts as a legitimate argument and where can a legitimate ground for managerial decisions found? How does the manager

establish a legitimate position when the position changes all the time? From management as a 'neutral authorisation', to management as clear-cut 'economical transactions', later to be characterized as 'supervision at a distance', and finally as an 'absorbing seduction'. How does the manager succeed in this plurality of roles? How does one avoid letting this polyphony become a cacophony?

3) Thirdly the issue raises a question about *identity*: What about the employees – how do they handle the constant movement across different codes that subjectify them in different and contradictory ways? How do they play the game and know whether to think and act as a legal object, a calculating wage earner, a pupil fit for development or an engaged partner?

4) And finally one could ask a more general question of the managerial *opportunities for governance*: How is governance of the communicative process and thereby the different codes and subject-positions at all possible? How does one implement the second order decisions? How is it possible for the manager to manage communication, create boundaries and thereby condition the sociality? How is it possible to manage the communications that manage the management?

These questions all set the scene for further research investigations in the field of management.

Notes

ⁱ The article is a compressed (and English) version of one of the analysis (chapter 6) in my Ph.D. dissertation ‘Offentlig ledelse i tekst, tal og tale – en konstitutionskamp i tid og rum, Samfundslitteratur 2003, Copenhagen Business School [‘Public Management in Texts, Figures and Speech – a constituting battle in time and space’]. The empirical data for this analysis are selected from case studies in 8 municipalities in Denmark covering different sectors of public service; health, elderly care, children’s care, the technical- and environmental area, taxes, administration and the social sector. The empirical ground primary consists of qualitative interviews with relevant respondents; managers, employees and representatives from the involved trade-unions (approximately 150 interviews with 182 persons in total, see Rennison 2003, Encl.1, for a list of cases and respondents). For the purpose of identifying the different codes concerning the communication of wage I have conditioned the transcribed interviews according to a simple model, involving three aspects; 1) the formation of objects (what are they taking about and how), 2) the formation of subjects (who talks and in what way are they taking about whom), 3) the formation of communication (which codes are in use in the way they talk and how are they unfolded). Through this empirical investigation I observe that the New Wage system is talked about and coded in many different ways – all of which makes sense for the respondents and functions as a legitimate way of argumentation in decisions about wage setting.

ⁱⁱ Niklas Luhmann, the German sociologist and founder of modern system theory, characterizes the modern society as being differentiated in independent and specialized *function systems*, each with its own functions, e.g., the legal system, the political system, the economic system, the scientific system, the educational system, the health system, the intimate/family system, the art system, etc. Every functional system refers to a symbolically generalized *medium*, which indicates the particular thematic that communications centre around; ex. legality in the legal system, money in the economic system and progress in the education system. A binary *code* consisting of a positive and negative value is associated with each medium; ex. the medium of legality refers to the code ‘legal/illegal, the money medium refers to the code ‘pay/not pay’ and the progress medium refers to ‘better/worse’ developmental progress. The codes are characterized by a built-in asymmetry, as the plus-side is always preferable; ex. in the legal system it is better to be on the legal side than on the illegal, in the economic system it is better to be paid than not to be paid and in the education system it is preferable to show some progress in terms of development. The various functional systems and the respective media and codes order the communications in all social systems, i.e. society, organizations and interactions. They create a tempo-advantage by delineating a specific framework for orientation and reference within which concrete communications can unfold.

ⁱⁱⁱ My theoretical references in the analysis are the work of Niklas Luhmanns in general (ex. Luhmann 1998, 2000a, 2000b) as well as his work on the different functional differentiated systems; on the legal system (ex. Luhmann 1981, 1985), on the economical system (ex. Luhmann 1999), on the educational system (ex. Luhmann 1993) and on the system of intimacy (ex. Luhmann 1986).

References

- Akerlof, G.A. (1984): Gift exchange and Efficiency Wage: Four Views, *American Economic Review* 74, 79-83.
- Andersen, N. Åkerstrøm & Born, A. (2001): *Kærlighed og omstilling, Italesættelse af den offentligt ansatte, Nyt fra samfundsvidenskaberne*. København
- Andersen, N.Å. (2002a): Polyfone organisationer, *Nordiske OrganisasjonsStudier*, no. 2, 27-53, Oslo: Fakkbokforlaget.
- Andersen, N. Åkerstrøm (2002b): *Medarbejderens pædagogisering*, MPP Working Paper No. 20/2002, Handelshøjskolen i København.
- Baudrillard, J. (1979): *Forførelse*, København: Sjakalen.
- Beaumont, P.B. (1995): *The Future of Employment Relations*. London: Sage.
- Calás, M. B. & Smircich, L. (Ed.) (1997): *Post modern Management Theory*: Aldershot, Brookfield, Singapore, Sydney: Ashgate Dartmouth.
- Deci, E.L. (1975): *Intrinsic Motivation*, New York: Plenum.
- Fairclough, N. (1995): *Critical discourse analysis*, London: Longman.
- Farnham, D. (2000): *Employee Relations in Context*, London: Institute of personnel and Development.
- Foucault M. (1977): *Discipline and punish: The birth of the prison*. London: Penguin.
- Foucault, M. (2000a): *Governmentality*. In Faubion, J.D. Michel Foucault, *Essential works of Foucault 1954-1984*, vol. 3, Power, England, New York, Allen Lane: The Penguin Press.
- Foucault, M. (2000b): *The subject and power*. In Faubion, J.D. Michel Foucault, *Essential works of Foucault 1954-1984*, vol. 3, Power, England, New York, Allen Lane: The Penguin Press.
- Fournier, V. and Grey, C. (2000): *At the critical moment*, *Human Relations*, 53, 1, 8–32. The Tavistock Institute, London, Thousand Oaks CA., New Delhi., Sage Publications.
- Frey, B. S. (1997): *Not Just for the Money: An Economic Theory of Personal Motivation*, Cheltenham: Edward Elgar Publishing.
- Gennard and Judge (2002): *Employee Relations*, London: Institute of personnel and Development.
- Grant, D., Keenoy, T. and Osrick, C. (Ed.) (1998): *Discourse and Organisation*. London: Sage Publications.
- Guest, D. E. (1999): *Human resource management – the worker's verdict*, *Human Resource Management Journal*, 9, 9, 5–25.
- Hardy, C., Palmer, I, Phillips, N. (2000): *Discourse as a strategic resource*, *Human Relation*, 53(9), 1227-1248. The Tavistock Institute, London, Thousand Oaks CA, New Delhi: Sage Publications.
- Højlund, H., Knudsen, M. (Ed.) (2003): *Organiseret kommunikation – systemteoretiske analyser*,

København: Samfundslitteratur.

Ibsen, F. & Christensen J. F. (2002): Ny løn mellem organisation og marked, København:

Kommuneinformation.

Luhmann, N. (1977): Differentiation of society, *The Canadian Journal of Sociology*, 2 (1/77).

Luhmann, N. (1981): Communication about law in interaction systems. In Knorr-Cetina, K. et al. (Ed.)

Advances in social theory and methodology, London: Routledge & Kegan Paul.

Luhmann, N. (1985). A sociological theory of law, 49-61, London: Routledge & Kegan Paul.

Luhmann, N. (1986). *Love as Passion, The codification of Intimacy*, California: Stanford University

Press.

Luhmann, N. (1993): Barnet som medie for opdragelse. In Cederstrøm et al. (Ed.) *Læring, samtale og*

organisation – Luhmann og skolen, København: Unge Pædagoger.

Luhmann, N. (1997): Niklas Luhmann Iagttagelse og paradoks *Essays om autopoietiske systemer*,

København: Samlerens Bogklub.

Luhmann, N. (1998): *Die Gesellschaft der Gesellschaft*, Frankfurt am Main: Suhrkamp.

Luhmann, N. (1999). *Die Wirtschaft der Gesellschaft*, Frankfurt am Main: Suhrkamp.

Luhmann, N. (2000a): *Sociale systemer*, København: Hans Reitzels Forlag.

Luhmann, N. (2000b): *Organisation und Entscheidung*, Opladen/Wiesbaden: Westdeutscher Verlag.

Madsen, J. S. (2002): *Forhandlingssystemet – konflikt eller forlig*, København: Kommuneinformation. Mats Alvesson & Hugh Willmott (Ed.) 1992: *Critical Management Studies*, London, Newbury Park,

New Delhi: SAGE Publications.

Mats Alvesson & Stanley Deetz 2000: *Doing Critical management Research*, London, California, New

Delhi: SAGE Publications.

McKinlay, A. and Starkey, K. (Ed.) (1998): *Foucault, Management and Organisation Theory*. London:

Sage Publications.

Parsons, T. (1949): *Essays in sociological theory pure and applied*, Glencoe, Illinois: The Free Press.

Pedersen, D. (1998): *Forhandlet forvaltning – en ny institutionel orden for den statslige løn- og*

personalepolitik, Ph.D. dissertation, København: Center of organisation and steering (COS).

Pedersen, D. & Rennison B. W. (2002): *Kampen om lønnen – Politik, strategi & ledelse i Ny løn*,

København: Kommuneinformation.

Pedersen, D., Rennison B.W, Madsen, J. & Ibsen, F. (2002): *Løn mellem kollektiv og individ*,

Kommuneinformation: København.

Raffnsøe, S. (2002): *Sameksistens uden commonsense – en elliptisk arabesk*, København: Akademisk

Forlag.

Rennison, B.W. (2003). *Offentlig ledelse i tekst, tal og tale – en konstitutionskamp i tid og rum*, Ph.D.

dissertation, Copenhagen Business School: Samfundslitteratur.

Simon, H. (1965): *Administrative behaviour – A Study of Decision-Making Process in Administrative*

Organization, The Free Press: New York.

Sisson, K., Storey, J. (2003): *The Realities of Human Resource Management, Managing the Employment*

Relationship, Open University Press.

Storey, J. (1992): *Developments in the Management of Human Resources*, Oxford: Blackwell Publishers.

Storey, J. (1995): *Human Resource Management – A Critical Text*, London: International Thomson Publishing Inc.

Williamson, O.E. (1996): *Transaction Cost Economics: The governance of contractual relations*, in Buckley, I.P. (red.), *Firms, Organizations and Contracts*, Oxford: Oxford University Press.

Betina Wolfgang Rennison, Assistant Professor at Copenhagen Business School (CBS), Department of Management, Politics and Philosophy, Ph.D. in Public Strategy and Management from CBS in 2003. Research interests include public sector reforms, organizational change and different aspects of management and leadership in and around organizations.