

The Legitimacy of Performance-Related Pay in Swedish Public Sector Organisations

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Abstract

This study analyses the legitimacy of different pay determination principles in Swedish public sector organisations. The aim is to explore what dimensions of worth exist in pay determination and to analyse the extent to which differences in legitimacy can be explained by organisational position, professional identity and organisational context. Theoretically, the article is influenced by “valuation studies” and the “institutional logics” and “orders of worth” approaches in analysing the existence of multiple dimensions of pay determination. Empirically, the study is based on surveys to employees and managers. The main results are that *individual performance* is the most legitimate dimension of worth, although *job requirements* and *employee behaviour* also have a high level of legitimacy. *Formal individual competence* and *market value* have a somewhat lower level of legitimacy, while *organisational results* is the dimension that has least legitimacy. In addition, the perceptions of legitimacy are shown to vary somewhat with position, profession and organisational context.

Introduction

The focus for setting wages has changed from *what* employees do to *how* they do it. Whereas older principles suggested “turn up and you’ll get paid, turn up for several years and you’ll get paid more”, the present norm is “turn up and perform to a highly satisfactory standard and you’ll get paid more” (Corby et al. 2009: 7). This represents a change from rewarding the *job* to rewarding the *person*. Even though job requirements and qualifications are still important, performance and behaviour have come to the forefront in organisations, emphasising not only productivity but also “personal traits, such as motivation, flexibility, involvement, and creativity” (Jensen and Prieur 2016: 100; cf. Boltanski and Chiapello 2005; Rees Davies and Flink 2015).

Systems that link pay directly to individual or organisational productivity are often called pay-for-performance (PFP) or performance-based pay (PBP), while those linking pay to performance more loosely or partly are called performance-related pay (PRP). These systems have been most widespread in the private sector among managers and professionals. However, PRP principles have become common in the public sector in connection with New Public Management (NPM) (Bryson et al. 2017; Chatelain-Ponroy et al. 2017; Dahlström and Lapuente 2010; Fuller and Cooke 2018; Oh and Lewis 2009; Perry et al. 2009; Schay and Fisher 2013; Wenzel et al. 2019; Williams et al. 2020; Wise 1994). This is particularly the case in Sweden, where individualised PRP is used more in the public sector than in the private sector; a portion of the yearly wage increases for practically all public employees are based on performance appraisal (Kjellberg 2019; Ulfsdotter Eriksson et al. 2021a; 2021b; cf. Firtin and Kastberg 2020).

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The use of PRP in the public sector is often questioned, and recent research points in somewhat different directions. However, much of it shows that PRP has rather marginal or even negative effects on motivation, commitment or quality of services (Bryson et al. 2017; Chatelain-Ponroy et al. 2018; Chen 2018; Choi and Whitford 2017; Lee 2019; Perry et al. 2009; Shay and Fisher 2013; Wenzel et al. 2019; Weske and Schott 2018). Even so, PRP in the public sector is showing no tendency to abate internationally (cf. Bellé 2015; Fuller and Cooke 2018; Oh and Lewis 2009; Williams et al. 2020). Studies commissioned by trade unions and employer organisations suggest that PRP is broadly accepted among Swedish employees (Hellgren et al. 2017; Karlsson Håål and Hedin 2015; Wallenberg 2012). However, scholars have discussed whether support for PRP is an adjustment to the employer organisations' successful replacement of the older principles of "equal pay for equal work" with a focus on productivity, competencies, qualifications and flexibility; and whether employee support for PRP is based on biased surveys (Lapidus 2015; cf. Thörnqvist 1998). In any case, studies showing employee support for PRP seldom contrast the legitimacy of PRP with other pay principles.

A common theme in research on attitudes to PRP is perceptions of justice, as these are important for the motivational and commitment effect of the systems (Colquitt 2001; cf. Andersson-Stråberg et al. 2005; 2007; Chatelain-Ponroy 2018; Glassman et al. 2010; Larsson et al. 2021; Shay and Fisher 2013; Stråberg 2010). However, studying (individual) satisfaction with the processes and outcomes of PRP systems is quite different to studying the (collective) legitimacy of the systems; that is, its normative validity. The issue of *legitimacy* is theoretically and socially important, but somewhat neglected in research on pay (Downes and Choi 2014; cf. Mueller and Landsman 2004; Townley 1997). How work is priced and appraised in organisations concerns the general problem of organisational and social (e)valuation (e.g. Berthoin Antal et al. 2015; Dewey 1939; Karpik 2010; Kornberger et al. 2015). As discussed in such "valuation studies", the principles, devices, and processes of assessing the worth of things and people need to be legitimate, from a normative or moral point of view (Aspers and Beckert 2011; Lamont 2012).

This study explores the legitimacy of PRP and other pay principles among employees in Swedish public sector organisations. The aim is to identify different valuation principles, analyse their legitimacy and the extent to which differences in normative acceptance between them can be explained by organisational position, professional identity, and organisational context. The study thus unpacks what different legitimate dimensions of pay exist within public sector organisations, and tests the extent to which legitimacy varies between organisational contexts, professional groups, positions within the organisation, and individual-level variables. We thereby contribute to knowledge about the legitimacy of different pay principles, including PRP, by exploring what employees and managers in the Swedish public sector perceive as legitimate principles for pay determination. By approaching legitimacy with inspiration from the "institutional logics" and "orders of worth" perspectives, the results also contribute to understanding the multifaceted nature of legitimacy of pay principles, when organisations are not dominated by a single institutional

logic and contain multiple occupational groups (Boltanski and Thévenot 2006; Thornton et al. 2012; cf. Cloutier and Langley 2013).

The Swedish case is interesting due to the large public sector and the tradition of egalitarianism in wage issues, and because changes in the last four decades have been quite profound in terms of the spread of PRP systems in the public sector (Baccaro and Howell 2017; cf. Dahlström and Lapuente 2010; Ulfsdotter Eriksson et al. 2021b). The article begins with a presentation of previous research, theoretical approach, methods and materials used, before the presenting the findings and drawing some general conclusions.

Background and Previous Research

The Swedish post-war model of centralised national wage bargaining was abandoned in the 1980s and replaced with a loosely coordinated system of sectoral bargaining combined with local adjustments (Baccaro and Howell 2017; Thelen 2014). The principle of “equal pay for equal work”, based on nationally coordinated wage tariffs, in which wages were set based on job evaluations, qualifications, tenure and general wage raise, was gradually supplanted by individualised desert-based principles rewarding contribution and effort. The discourse on wage formation and pay turned from solidary values to organisational productivity, flexibility and individually differentiated wages based on performance and contribution to the organisation (Lapidus 2015; Thörnqvist 1998; cf. Wise 1994).

Individualised PRP has gone furthest in the public sector (Kjellberg 2019; Ulfsdotter Eriksson et al. 2021b). Today, 60 per cent of public employees in Sweden are covered by agreements that set no figures on local wage raise as long as the local partners agree. For the other 40 per cent, the central agreement specifies figures in the form of a wage pot, but with no individual guarantees regarding the wage raise. Consequently, practically all public employees are covered by agreements giving space for individually differentiated PRP in the yearly wage review process. This means that wage raises are related to performance appraisal of employees, but not directly based on the productivity or organisational results. However, performance is not the only principle for determining wages. Both collective agreements and most large organisations’ pay policies state that wages should be individualised and based on responsibilities, skills and task complexity, as well as on the performance and contribution of the employee. Somewhat simplified, one might say that differences in responsibilities, skills, and task complexity determines wage differentials between different jobs, whereas performance and contribution determine differences in wage raises between employees with similar jobs. However, the specific appraisal criteria are up to the employer to set centrally or locally – either unilaterally or after negotiation with union representatives – and individual objectives for employees are set by local line managers (cf. Firtin and Kastberg 2020; Ulfsdotter et al. 2021a; 2021b; Wise 1994).

Swedish employees have a positive attitude towards PRP, according to research (Hellgren et al. 2017) and studies commissioned by employer associations and trade unions (Karlsson Håål and Hedin 2015; Stenberg 2011; Sverke et al. 2004; Wallenberg 2012). The support for PRP seems to have

increased over time. Gender does not make a big difference; however, managers are more positive than regular staff, academic professionals are more positive than blue-collar workers, and older employees with longer tenure seem to be less positive (Hellgren et al. 2017: 21-24; Stråberg 2010: 41). The employees' justice perceptions and pay satisfaction affect these attitudes, and it is important for human service workers in the public sector that wages are set in a just way (Andersson-Stråberg et al. 2005).

Two studies that touch upon the legitimacy of different pay principles are Karlsson Håäl and Hedin (2015) and Stenberg (2011). Both asked what employees in public and private sectors thought should affect their wage, and the descriptive analyses show that the employees' competencies, performances and work results, and their responsibilities have the most support. Approximately half of the respondents agreed that high-performers should have a greater pay-raise than others. The least support have pay principles focusing on organisational results, age, tenure and local market wages, whereas the complexity of the job is in between the least and most supported principles. Both studies show quite small differences between the private and public sectors. Overall, this seems to indicate that there is legitimacy for PRP, but also for the other principles in the collective agreement, such as competencies, responsibilities, and the complexity of the job.

Justice, Legitimacy and Pluralism in (E)valuation

The theoretical inspiration for this study is "valuation studies", focusing on how the worth of things and people are (e)valuated (Berthoin Antal et al. 2015; Kornberger et al. 2015; Lamont 2012). Leaning on Dewey (1939), this tradition is oriented towards the situations and devices in and by which value is decided through processes of valuation. This means that prices are not seen as given from supply, demand, and the qualities of goods, but produced through organisational (e)evaluations of the multidimensional worth of things (Karpik 2010: 10ff.; Kornberger et al. 2015).

If pay is the pricing of the job, PRP systems add an element of (ap)praising the employee, both in terms of monetary rewards and recognition (Stark 2009: 9). Thus, the (e)valuations of jobs and employees are based on multiple value principles. For such (e)valuation processes to be accepted and stabilised, the evaluative devices and processes need to be legitimate, from a normative or moral point of view (Aspers and Beckert 2011: 7f.; Lamont 2012). Consequently, pay systems raise questions relating not only to justice but also to legitimacy.

From justice perceptions to legitimacy

In pay research, *justice* is mainly an individual-level concept that concerns whether someone has been treated fairly (Hegtvedt and Johnson 2000). *Legitimacy* refers to whether social orders are based on principles that are perceived as valid and rightful by a collective or a population (Weber 1968: 31ff.). There may be both immanent and causal relations between justice and legitimacy (Mueller and Landsman 2004), but it seems less fruitful to conflate them, as is done in some previous studies (e.g., Hellgren et al. 2017: 25–32).

Organisational justice research distinguishes among four dimensions (Colquitt 2001; cf. Andersson-Stråberg et al. 2007; Stråberg 2010). Distributive justice is about how resources and rewards are allocated. However, the norms against which the fairness in pay is evaluated may be of different kinds, such as position, qualifications, results, or performances. Procedural justice relates to how the distribution is made. In pay research, this concerns whether the organisation applies policies and criteria consistently and equitably for all. Informational justice signifies whether employees are informed about the process and the principles for wage-setting transparently and candidly. Finally, interpersonal justice focuses on whether employees are treated politely and respectfully in the performance appraisal and salary talks.

While justice is about individual perceptions and pay satisfaction, legitimacy is about collectively shared beliefs and values (Hegtvedt and Johnson 2000). According to Weber (1968: 31ff.), social order is legitimate if individuals consensually believe that they must obey norms and rules regardless of whether they approve of them. Rules and principles can be legitimate even if the outcomes of them are not just (Hinsch 2010). For instance, employees may be dissatisfied with the local procedures or outcomes of the PRP without questioning the system or criteria for (e)valuation. Thus, the legitimacy of the system might be kept if the injustice is accounted for as stemming from procedural, informational or relational unjust practices, rather than based on illegitimate wage-setting principles or appraisal criteria (cf. Mueller and Landsman 2004).

A plurality of legitimate pay principles?

From the above, one might assume that in terms of pay there is *one* legitimate way to determine the worth of work. However, what norms and values are institutionalised and applicable may vary between institutional contexts and situations. To elaborate on this, we turn to the theories of *institutional logics* (Thornton et al. 2012) and the *orders of worth* approach (Boltanski and Thévenot 2006). Even though these approaches differ slightly in ontology and epistemology, they both make it possible to discuss a plurality of legitimate (pay) principles (Cloutier and Langley 2013). Thereby, such an approach differs from studies that ask only about the PRP principle (Hellgren et al. 2017; Sverke et al. 2004, Wallenberg 2012), or studies that examine different pay principles without trying to find out the plural dimensionality of them (Karlsson Hååll and Hedin 2015; Stenberg 2011). However, it should be noted that “institutional logics” and “orders of worth” are used here as “sensitizing” rather than as fixed classifications (cf. Blumer 1954). The reason is that the empirically existing dimensions of legitimate pay principles may vary from the theoretical classifications (cf. Stamer 2018).

A backdrop against which these two approaches can be elaborated is the idea that markets, bureaucracy and profession are characterised by different logics and values (e.g., Freidson 2001). Even though they also add the logics of corporation, religion and family, the institutional logics approach elaborates on this idea that there are dominant logics characterising different institutional contexts. As Thornton et al. stated (2012: 6), “A core premise of the institutional logics perspective is that the interests, identities, values, and assumptions of

individuals and organisations are embedded within prevailing institutional logics” (cf. Cloutier and Langley 2013). However, the institutional logics approach – and even more so the “orders of worth” perspective – emphasise that actors can invoke various and multiple logics, less obviously connected to existent dominant institutional principles, into situational interpretations (Thornton et al. 2012: 76ff.; Townley 1997). According to Boltanski and Thévenot (2006), different orders of worth used for justification are not aligned in a simple way with any dominant logic. Thus, what they call the market world (emphasising price, profit and competition), and the industrial world (focused on productivity, efficiency, expertise and division of labour), are not in any way irrelevant for (e)valuation in the public sector. Nor are the values of the domestic world (oriented towards hierarchy, loyalty, tradition and seniority), the civic world (emphasising solidarity, collective will and representativeness) or the inspired world (highlighting the importance of creativity and development). On the contrary, to understand the legitimacy of PRP and other principles of pay determination – and to unpack differences between occupational groups and organisations in normative validity between different pay principles – the analysis needs to be kept open for a plurality of legitimate pay determination principles (cf. Cloutier and Langley 2013; Lamont 2012).

A plurality of legitimate pay principles may exist in the public sector since it has a basic bureaucratic fundament, but harbours strong professions and market-imitating and corporate principles based on the NPM orientation towards results, competition, and service provision (cf. Helby Petersen and Hjelmar 2013). Even so, there are still contextual differences between municipal, regional, and state-level organisations that might be of importance for what orders of worth are legitimate.

The state agency has a broad set of operational activities, including case handling and contacts with citizens. It is a rather strict bureaucracy, and a large proportion of the staff have academic degrees in law and social sciences. The hierarchical principles of bureaucracy would supposedly make formal responsibility, seniority, obedience part of what is seen as legitimate principles of remuneration. The county organisation is represented by a large public hospital, with employees in all occupations required in such. The logic of professionalism, with its focus on personal expertise and status, could be expected to make the complexity of tasks, independence, experience, and knowledge development into important aspects of what ought to be rewarded in work (cf. Freidson 2001). The municipality provides public services such as childcare, primary and secondary education, water supply, rescue services and waste disposal. It encompasses a broad variety of occupational groups, from highly educated professionals to blue-collar workers. Therefore, it may be less homogenous in logics since operational areas such as schools, social care and infrastructure services are performed under different expectations from the political and public environment and by different occupational groups. However, it is an empirical question whether these contextual differences affect what pay determination principles are seen as legitimate.

Methods and Material

This study is based on web surveys distributed in 2016–2017 to employees (including managers) in three large organisations representing the three levels of the public sector in Sweden: municipal, regional and state. In total, the dataset consists of 4313 responses, covering a broad variety of operational areas, positions, and occupations (Table 1).

In the municipality, a total survey was conducted and 1980 respondents filled in the questionnaire. Due to confidentiality, the exact population-size cannot be revealed since that would make it possible to identify the municipality. However, as a mid-sized municipality, it has around 75,000–150,000 inhabitants and 7500–13,000 employees, and the response rate was quite low (15–26 %). A basic non-response analysis showed that the representativeness for general categories of employees and operating areas were adequate, albeit with slightly lower response rates for low-educated and foreign-born staff. The survey in the regional hospital was distributed to 4999 randomly selected employees and received 1838 responses (37 per cent response rate). The non-response analysis showed good representativeness for general occupational categories such as physicians, nurses, and assistant nurses. The state agency survey was sent to all 1127 employees in one main unit, covering a wide range of operational areas, and received 495 responses (44 per cent response rate). The non-response analysis showed good representativeness in terms of gender, age and proportion of managers and staff. There were slightly higher response rates for highly educated and experienced staff. Since we did not have information on other characteristics of the populations, more detailed non-response analyses could not be conducted.

The operationalisation of legitimacy of different pay principles is based on 25 items connected to the normative question “To what extent do you think the following *should* be important in determining wage levels?” (Table 2). The statements were developed with inspiration from the orders of worth approach, which is seldom used for quantitative research even though there are methods that are well suited to finding empirically based orders rather than just applying the framework as a given typology (Stamer 2018). The order of questions was not randomised, which may cause some issues with order bias. However, we could not detect any response fatigue effect. The respondents were asked to grade their agreement on all 25 statements with a score of 1 (Do not agree at all), 2 (Agree to a low degree), 3 (Agree to a high degree), 4 (Fully agree) or 5 (Do not know/No opinion). The latter was recoded as “missing”.

The analysis was conducted in four steps. First, principal component analyses (PCA) were performed to find underlying dimensions; that is, pay principles that cluster together. As shown in Table 2, we found six dimensions – based on the Kaiser criterion (eigenvalue > 1) and confirmed through the elbow-test – in a varimax rotation in which we replaced missing values with means. To avoid cluttering the table, values <0.25 are not shown. We also ran PCAs in which we excluded missing values pairwise, used orthogonal rotation and made separate analyses for all three organisations. They all produced very similar solutions in terms of what factors/components loaded over 0.5. Therefore, we chose to present the clearest solution (the varimax rotation), since indexes

created from all solutions would have been identical. Together with Cronbach’s alpha values close to or over 0.7, this indicated robustness in the dimensions.

Second, we constructed indexes from items loading >0.5 (in bold in table 2), excluding the variable “How independent I am” from the indexes since it loaded over 0.5 on two factors. Third, means (range 1–4) were calculated on all items, and grand means for all factors, to find the respondents general agreement with the 25 statements and the six factors. The means were used to order all 25 items in rows and all factors in columns to present them from their overall legitimacy (Table 2). The grand means were calculated for each component from all items in bold.

Fourth, OLS regressions were performed on all indexes to analyse effects from organisational position and organisations, when controlling for individual-level variables (Table 3-4). The independent variables used in table 3 were: 1. *Organisation* (Muni., Hospital, State agency); 2. *Position* (staff, managers without wage-setting tasks, and wage-setting managers); 3. *Sex* (male, female or prefer not to state); 4. *Seniority* (age, tenure – checked for non-linearity); 5. *Region of origin* (SE town/city, SE countryside, Nordic country, Europe, Outside Europe); and 6. *Education* (>3 years University, <3 years university, Secondary, Primary). In Table 4 another independent variable was added to test whether differences in legitimacy between the three organisations were explained by the professional identity/occupational function. The variable *Profession/occupational function* was constructed as a middle way between the class schema based on work logics by Oesch (2006) and the sub-major and minor occupational group of ISCO-08 (Table 1). The reason is that those classifications were too wide or too narrow given the theoretical approach. This dummy variable is the only one in which, for theoretical reasons, we did not choose to have the largest-n variable as reference.

Table 1. Classification of respondents’ profession and/or occupational function

Management: Staff in central/unit management (excluding line managers belonging to below groups) (n=233)
Tech/Admin: IT-/HR-/Amd. staff without management position, incl. technical staff such as engineers (n=543)
Physicians: All specialisations of physicians, including those who are line managers (n=275)
Nurses: All nurses, midwives naprapaths and other 228 + 32 special (ISCO 08) (n=878)
Care: Assistant nurses, nurse’s assistants and other assisting care staff (n=710)
Finance/Law: Financial and legal staff, including accountants, auditors, controllers, lawyers (n=190)
Caseworkers: Staff handling client cases, e.g. concerning allowances, fees, and legal decisions (n=282)
SW/Psych: Social workers, psychologists, counsellors, etc. (n=155)
Teachers: Primary and secondary teachers and pedagogues (n=448)
Preschool: Preschool staff, recreational pedagogues and pupil assistants (n=259)
Other: Unclassified and various positions that do not fit into above classification (n=295)

Since the survey was sent to three organisations, the dataset might violate the assumption that data is independent and not nested. Therefore, we tested the intraclass correlations coefficients (ICC). The effects on the organisational level in empty multilevel models were between 0.5 and 2 per cent, with an exception for the index on individual competence, for which the effect was 13 per cent. However, since the intercepts were insignificant on all six indexes, we chose to run OLS with control for organisation (cf. Garson 2013). Since the study is cross-sectional, caution must be used when discussing possible causal relations (cf. George and Pandey 2017).

Results

Instead of forcing the responses into a fixed set of orders of worth (Boltanski and Thévenot 2006; cf. Cloutier and Langley 2013), the question of underlying dimensions of legitimacy was approached empirically by performing a PCA (cf. Stamer 2018). The PCA produced six dimensions, which are commented on below, but first a few details are given concerning the 25 individual items to illustrate the distributions.

All items in Table 2 are ordered from their means, and dashed lines have been inserted between three breaking points (at 3.5, 3 and 2.5) for interpretability. The statement that respondents agreed strongest with was “How well I carry out my work tasks” (mean 3.79). The high mean indicates strong agreements, and 80 per cent fully agreed this *should* be important for deciding wages, whereas 19 per cent agreed to a high degree, and only 0.5 per cent respectively agreed to a low degree or not at all. Thus, there was very strong legitimacy for the norm that wages should reflect how well tasks are carried out. As can be seen from the means of the following items, there was almost equally strong support for all statements with means above 3.5.

The statement with the least support in terms of what should determine wages was “How well my organisation as a whole performs”. With a mean of 1.93, the distribution was such that only 8.5 per cent fully agreed, whereas 15 per cent agreed to a high degree, and 38.5 per cent agreed to a low degree or did not agree at all. Thus, there was quite low legitimacy for setting wages from organisational results.

In between the lowest (mean < 2) and the top-ranked items (mean > 3.5), several principles for valuing work were found to be legitimate. The items with a mean above 3.0 were legitimate for many of the respondents. For instance, “My educational level” had a mean of 3.28; 48 per cent fully agreed, while 36 per cent agreed to a high degree, 13 per cent agreed to a low degree, and 3 per cent did not agree at all. The items with a mean below 3.0 were less legitimate. For example, “What wage other occupations in the organisation have” had a mean of 2.66, with 25.5 per cent fully agreeing, 31 per cent agreeing to a high degree, 27 per cent to a low degree, and 16.5 per cent not agreeing at all. Accordingly, this principle was legitimate for slightly over 50 per cent of the respondents.

Table 2. Dimensions of worth and legitimacy. Means and Factor loadings (n=4249)

<i>Q: To what extent do you think the following should be important in determining wage levels?</i>	Mean	F1	F6	F2	F4	F3	F5
	1-4	<i>Individual perf.</i>	<i>Job req.</i>	<i>Employee behaviour</i>	<i>Individual comp.</i>	<i>Market value</i>	<i>Org. results</i>
How well I carry out my work tasks	3.79	.571	.288				
My ability to treat customers/users	3.70	.491		.582			
My willingness to learn/develop in my work	3.67	.737					
How independent I am	3.66	.282	.518	.536			
My contribution to developing the team's methods	3.64	.819					
My commitment to the organisations' work/business	3.63	.709		.297			
My ability to create a good env. for co-workers	3.63	.739		.256			
My ability to take initiative and my creativity	3.60	.737		.270			
My conduct and attitude at work	3.60	.377		.727			
My contr. to developing methods/knowl. in our field	3.58	.758					
The complexity of my work tasks	3.56	.255	.733				
What responsibilities I have	3.56	.266	.765				
How flexible and prone to change I am	3.50	.292	.325	.645			
What wage other occupations with similar work have	3.35					.765	
My working life experience	3.29				.838		
My educational level	3.28				.708		
What public utility/welfare our organisation brings	3.27					.625	
What wage I could get if I changed job/employer	3.26					.733	
My willingness to follow the decisions of superiors	3.06			.570			.322
How long I have worked in the organisation	2.81				.805		
My ability to contr. to the organisations econ. result	2.81			.427			.568
What wage other occupations in the org. have	2.66					.628	
How well my unit/department performs	2.65						.728
How the economy develops (inflation/retailer prices)	2.52					.533	.390
How well my organisation as a whole performs	1.93						.808
Grand mean	3.28	3.65	3.56	3.46	3.13	3.01	2.46
Eigenvalue		7.43	1.06	2.55	1.43	1.71	1.14
% of variance explained		29.7	4.2	10.2	5.7	6.8	4.6
Cronbach's alpha (items in bold)		0.89	0.71	0.75	0.76	0.73	0.67

Dimensions of worth and their legitimacy

In the columns of Table 2, the factors are presented in sequence based on the grand mean of the items included in each factor. Factor 1 had the highest overall legitimacy, followed by F6, F2, F2 and F3, whereas Factor 5 had the lowest overall legitimacy. The dimensions of worth these factors represent are presented in descending order, with comments also on the results of the regression analyses on each index (Tables 3–4).

The dimension of worth with the strongest overall legitimacy for determining wages, with a grand mean of 3.65, was called *Individual performance* (F1). The dimension combined some main aspects of performance-related pay systems; that is, performances, contributions, and behaviours of the individual employee: carrying out tasks well, commitment to the organisation's work, taking initiative and learning, and contributing to the working methods, knowledge and working climate of the team. The regression analysis (Table 3) produced a rather low adj. R^2 , while indicating a slight organisational difference in that PRP had somewhat lower legitimacy in the state agency compared to the municipality and the hospital. This effect disappeared when controlling for profession/occupational function (Table 4), which indicates underlying differences between professional/occupational groups rather than organisational context – although these group effects were not significant. However, the analyses showed that managers (both with and without wage-setting tasks) emphasised this dimension more than the regular staff, and women found it more legitimate than men did. As the latter was the case for all dimensions except the last one to be discussed (F5), we will return to this later.

The second most legitimate dimension of what should be valued in wage setting, with a grand mean of 3.56, was *Job requirements* (F6). This dimension consisted of two items relating strongly to aspects included in traditional job evaluations: responsibility and complexity of the work tasks (cf. Heneman 2003). As such, it stands in stark contrast to the performance dimension of worth and much closer to the older tariff-based pay systems. Again, the regressions produced rather low adj. R^2 (Table 3). As for organisational differences, this dimension was emphasised most in the state agency, followed by the hospital, and least in the municipality. The latter difference disappeared when controlling for profession/occupational functions, whereas the higher levels of legitimacy for *Job requirements* persisted in the state agency (Table 4). Thus, this is a true if rather small organisational effect, and not only an effect of differences in professional identity, which seem reasonable given the bureaucratic principles that, for theoretical reasons, may be expected to influence the state agency context. There were no significant differences between wage-setting managers and regular staff, although, somewhat unexpectedly, managers without wage-setting tasks emphasised this principle compared to the other groups. Finally, besides the gender effect discussed above, it seemed that *Job requirements* had higher legitimacy as a wage-setting principle among highly educated and tenured staff than among those with less tenure and lower education.

The third most legitimate dimension, with a grand mean of 3.46, was *Employee behaviour* (F2). Like *Individual Performance*, this dimension relates to individual contributions but more in terms of conduct and adaptability than performance. The dimension included how employees treat users, their attitudes

and conduct at work, and whether they are flexible, prone to change and willing to follow the decisions of superiors. These aspects are often included in the evaluation criteria used in performance appraisals and relate to how the employee behaves when performing the job (Storey and Sisson 2005). The regressions which showed somewhat higher adj. R² than the previous ones, indicated organisational differences (Table 3), which persisted when controlling for profession/occupational functions (Table 4). This dimension had slightly higher legitimacy in the hospital than in the municipality, whereas it was highest in the state agency. Regarding occupations, it seemed that *Employee behaviour* had the lowest legitimacy among the physicians and teachers. Managers, and particularly those with wage-setting tasks, emphasised this dimension, as compared to regular staff. Also, older employees supported it more than younger ones, and there were curvilinear effects of education in that those with the highest and lowest educational levels found this dimension less legitimate than those with secondary or short university education.

Table 3. OLS regressions on the six indexes (B-coefficients)

	<i>Individual performance</i>	<i>Job requirements</i>	<i>Employee behaviour</i>	<i>Formal ind. competence</i>	<i>Market value</i>	<i>Organisational result</i>
Organisation						
Municipality (ref)						
Hospital	0.016	0.098*	0.044	0.232**	0.097	-0.230**
State agency	-0.354*	0.266***	-0.305**	-1.318***	-0.506**	-0.536***
Position						
Staff (ref)						
Manager (≠ WS)	0.819***	0.118*	0.388***	-0.349**	-0.101	0.323**
WS-Manager	0.756***	0.009	0.825***	-1.600***	-0.924***	1.459***
Gender						
Woman/other (ref)						
Man	-0.789***	-0.142**	-0.555***	-0.482***	-0.381**	-0.104
Seniority						
Age	0.000	0.003	0.013***	0.023***	-0.015*	0.019***
Tenure	0.003	0.004*	-0.001	0.025***	0.025***	-0.001
Region of origin						
SE town/city (ref)						
SE countryside	-0.037	-0.060	-0.128+	-0.059	-0.238+	-0.073
Nordic country	-0.230	0.236	0.322	0.337	-0.219	0.921**
Europe	-0.551*	-0.091	0.127	0.485**	-0.368	1.099***
Outside Europe	0.026	-0.143	-0.144	0.789***	-0.333	1.069***
Education						
Uni >3 y. (ref)						
Uni <3 y.	0.127	-0.182**	0.486***	-0.202*	-0.115	0.265**
Secondary	-0.243*	-0.279***	0.708***	-0.082	0.046	0.578***
Primary	-0.550	-0.355**	0.414*	-0.163	0.789*	0.849***
Index range	7-28	2-8	5-20	3-12	4-16	3-12
Mean	25.58	7.13	13.89	9.78	14.97	7.37
St. deviation	3.04	1.11	2.00	2.17	3.24	2.22
Intercept	25.72	7.011	13.14	8.235	15.53	6.32
Adj. r ²	0.022	0.026	0.058	0.144	0.018	0.075
n	3990	4015	3886	4031	3061	3505

Table 4. OLS regressions on the six indexes (B-coefficients)

	<i>Individual performance</i>	<i>Job requirements</i>	<i>Employee behaviour</i>	<i>Formal ind. competence</i>	<i>Market value</i>	<i>Organisational results</i>
Organisation						
Municipality (ref)						
Hospital	0,056	0,052	-0,011	0,124	0,187	-0,415***
State Agency	0,061	0,230*	-0,131	-1,040***	-0,497	-0,538**
Position						
Staff (ref)						
Manager (≠ WS)	0,898***	0,127*	0,461***	-0,256*	-0,021	0,328**
WS-Manager	0,948***	0,120	0,830***	-1,014***	-0,170	1,109***
Profession/occupational function						
Management (ref)						
Tech/Admin	0,416	0,266*	0,214	0,175	0,348	-0,212
Physicians	-0,583	0,189	-0,712**	0,771**	0,983*	-0,612*
Nurses	0,500	0,164	0,217	1,229***	1,254**	-0,235
Care	0,570	0,217+	0,544	1,142***	1,006**	-0,272
Finance/law	0,025	0,353**	-0,202	0,568*	1,101*	-0,607*
Caseworkers	-0,318	0,081	-0,256	0,478+	1,136*	-0,572+
SW/Psychol.	0,010	0,254+	-0,242	0,947***	0,995*	-1,002***
Teachers	0,366	0,132	-0,404*	0,779***	1,172**	-1,209***
Preschool	0,196	-0,048	0,132	0,928***	1,655***	0,007
Other	0,459	0,185	0,346+	0,718**	0,974*	-0,211
Gender						
Woman/other (ref)						
Man	-0,680***	-0,153***	-0,453***	-0,399***	-0,309*	-0,058
Seniority						
Age	0,000	0,002	0,015***	0,027***	-0,011	0,020***
Years in org.	0,001	0,005**	-0,002	0,020***	0,020**	-0,001
Region of origin						
SE town/city (ref)						
SE countryside	-0,036	-0,055	-0,124+	-0,065	-0,246+	-0,067
Nordic country	-0,072	0,239	0,472+	0,334	-0,249	0,994**
Europe	-0,418	-0,095	0,225	0,439**	-0,417	1,117***
Outside Europe	-0,030	-0,143	-0,189	0,676***	0,251	1,084***
Education						
Uni >3 y. (ref)						
Uni <3 y.	0,026	-0,181**	0,267**	-0,130	-0,008	0,071
Secondary	-0,406	-0,306***	0,312**	-0,052	0,237	0,329**
Primary	-0,685	-0,369**	0,035	-0,135	0,923*	0,518*
Index range	7-28	2-8	5-20	3-12	4-16	3-12
Mean	25,58	7,13	13,89	9,78	14,97	7,37
St. deviation	3,04	1,11	2,00	2,17	3,24	2,22
Intercept	25,38	6,87	13,11	7,27	14,27	6,83
Adj. r2	0,028	0,029	0,077	0,167	0,026	0,092
n	3990	4015	3886	4031	3061	3505

+p<.1; *p<.05; **p<.01; ***p<.001 (Exclude missing pairwise)

The fourth dimension, *Formal individual competence* (F4) had a grand mean of 3.13 and had slightly less overall legitimacy. This dimension included items relating to the employee's educational level, general working life experience, and tenure within the organisation. Like the *Job requirements* dimension, it relates to the older tariff-based system of work valuation, in which both the position, education and tenure had importance (Heneman 2003). The regressions of this index once again had somewhat higher adj R² (Table 3) and the dimension was valued lower among staff in the state agency and higher in the hospital than in the municipality, but only the former effect withheld the control for profession/occupational function (Table 4). Among the professional groups, this

dimension had particular legitimacy among person- and care-oriented occupations, such as nurses, care-workers, social workers and preschool staff, and to some extent also physicians and teachers. *Formal individual competence* was de-emphasised more by managers than by regular staff. Moreover, older and tenured employees valued it higher than younger workers did. The dimension had greater legitimacy among employees with a background from outside the Nordic countries.

The fifth dimension, *Market value* (F3), had a grand mean of 3.01 and was therefore not fully as legitimate as the previous ones. It captured items relating to what wage other occupations within or outside of the organisations have, what wage the employee potentially could get from another employer or in another job, how the Swedish economy as a whole develops, and what public utility/welfare the organisation brings. The regressions produced a rather low adj R^2 , and this dimension had lower legitimacy in the state agency compared to the others (Table 3). However, the significance disappeared when controlling for profession/occupational function. The occupational functions effects were somewhat unclear since all groups valued this higher than did those in management and administration (Table 4). *Market value* was de-emphasised more by managers than by staff and emphasised more by employees with low educational levels and longer tenure.

The least legitimate dimension for determining pay, with a grand mean of 2.46, was *Organisational results* (F5). This dimension relates to the joint performance of the unit/department and the organisation as a whole, and the employees' contribution to its economic result. Thus, this dimension has a closeness to ideas of results-based reward rather than to individual performance or behaviour. This dimension produced a stronger adj. R^2 compared to the previous index, and was valued higher in the municipality than in the other organisations, but not by the occupational groups of teachers and social workers/psychologists (Table 3–4). *Organisational results* were also emphasised more by managers than by regular staff and by those with lower education, higher age, and with a background from outside of Sweden. Finally, this was the only dimension in which there was no significant gender effect.

Discussion and Conclusions

By approaching legitimacy from the “institutional logics” and “orders of worth” perspectives, this study aimed to contribute to the understanding of the multifaceted nature of legitimacy of pay principles, when organisations are not dominated by a single institutional logic and contain multiple occupational groups (Boltanski and Thévenot 2006; Thornton et al. 2012; cf. Cloutier and Langley 2013). We have examined which dimensions of pay-principles exist empirically and the extent to which their legitimacy varies, both overall and between employees in different organisational contexts, professional groups, and positions within the organisation when controlling for individual-level variables.

We identified six dimensions of worth in wage determination. The dimension with the strongest overall legitimacy was *Individual performance* (tasks performance, learning, commitment, and contribution to the organisation/group), indicating that the turn towards PRP systems in later

decades has broad support in Swedish public sector organisations. However, there was also strong support for dimensions that have less to do with PRP: *Job requirements* (responsibility and complexity), and *Employee behaviour* (conduct, flexibility/adaptability and loyalty). Slightly less general support as legitimate was given to *Formal individual competence*, (education and tenure). The final two dimensions – indicating employees’ *Market value* and *Organisational results* – had somewhat lower degrees of overall legitimacy, but many also found these reasonable as bases for pay determination.

That *Organisational results* was lowest in legitimacy might seem surprising as PRP has a connection to overall organisational performance, and the NPM tendency to use unit/team productivity are important managerial instruments in parts of these organisations. From the employees’ perspective, however, this dimension may be interpreted as “result wages”. Even if there is an acceptance of a performance focus in the public sector, a results orientation seems to have little acceptance (cf. Chatelain-Ponroy 2018). Furthermore, none of the six dimensions of worth can be said to be fully illegitimate among public sector employees; rather, they are complementary ways of evaluating the worth of the worker. Thus, the results supported the theoretical idea that multiple orders of worth exist, which are both complementary and contradictory.

These empirical dimensions deviate somewhat from the ideal-typical classifications of the orders of worth classification. The *Market value* dimension corresponds closely to the values of the “market world” in Boltanski and Thevenot (2006), and both *Organisational results* and *Job requirements* are related to the values of the “industrial world”. However, the three other dimensions are hybrids that combine elements from different orders of worth. *Individual performance* has combinations of values from the industrial, domestic and inspired worlds, while *Employee behaviour* combines values from the civic, industrial and domestic worlds. Finally, *Formal individual competence* combines values from the domestic, industrial and market worlds (cf. Cloutier and Langley 2013). These results show the importance of empirically grounded analysis since not everything fits neatly into established classifications (cf. Stamer 2018). There are not just one or two dominant institutional logics, setting norms and values for wage determination principles in these organisational contexts, but rather a plurality of values relating to state, professional, corporate and market logics (Thornton et al. 2012; Cloutier and Langley 2013). Given this plurality of legitimate principles of (e)valuation of work, the next step is to discuss the extent to which differences can be explained by factors of employees’ positions, professional identities and organisational contexts.

The regressions showed some significant effects when comparing different positions, and organisational and professional contexts on the degree of legitimacy for the six dimensions. The most unsurprising and consistent effect throughout the six regressions was the difference between managers and regular employees, which is in line with results from other organisational and national contexts (Chatelain-Ponroy 2018; Schay and Fisher 2013). *Individual performance*, *Employee behaviour* and *Organisational results* had higher legitimacy among managers, whereas *Formal individual competence*, and *Market value*, had higher legitimacy among regular staff. This indicates that managers leaned more towards values from the industrial world when valuing

work, emphasising what the employee contributes to the organisation, while staff leaned more towards values from the market world, emphasising the employee's worth in comparison with others, in terms of their education, experiences and market value (Boltanski and Thevenot 2006; Cloutier and Langley 2013).

From the institutional logics approach (Thornton et al. 2012), differences in legitimacy perceptions between the organisations were expected. The state agency, with its bureaucratic organisation, would supposedly lean more towards valuing formal responsibility, seniority, and obedience, whereas the county hospital was thought to emphasise values relating to the professional logic (expertise, the complexity of tasks, independence, experience and knowledge development). The municipality, with its more varied operational areas, was more difficult to have any clear theoretical idea about. The results were only partly in line with expectations. When all three organisations were compared, there was higher legitimacy of *Job requirements* in the state agency, and higher legitimacy for *Formal individual competencies* in the hospital. All dimensions except *Job requirements* and *Organisational results* were somewhat lower in legitimacy in the state agency than in the hospital. *Organisational results* was the only dimension that had higher legitimacy in the municipality than in the other two organisations. This is somewhat surprising given that there seems to be fewer productivity measures at the team/unit levels in the municipality than in the hospital and the state agency.

However, many of the differences explained are due to variations among professions and occupational functions within the organisations, rather than between the organisations. Theoretically, this indicates that differences in legitimacy perceptions may have more to do with valuations within professional/occupational communities and various institutional contexts than the existence of joint value spheres within single organisations (cf. Freidson 2001). The technical and administrative staff were generally closer to the managers in legitimacy perceptions, and they are together with staff in finance and law, the occupational groups that emphasised *Job requirements*. Physicians and teachers de-emphasised the legitimacy of *Employee behaviour* more than other groups, which seems reasonable given their discretionary autonomy at work. *Formal individual competence* was more legitimate among most occupational groups than for managerial and technical/administrative staff, and particularly for nurses and other care staff, including preschool staff and social workers and psychologists. These occupations depend on experience-based "tacit knowledge" and may perceive tenure and experience as important. Most groups highlighted *Market value* more than managers and technical/admin staff did, particularly nurses, teachers, preschool staff, and caseworkers in the state agency – occupations that are in high demand on the labour market and for whom there are good possibilities to increase wages by changing employer. Finally, *Organisational results* was particularly de-emphasised by teachers, social workers, psychologists and physicians, who again adhere to a professional logic in which the best for the individual student/client/patient is more important than overall organisational results.

The most striking individual-level result was that women found all dimensions except *Organisational results* more legitimate than men did. Women's overall support for individually related principles for pay

determination can be explained by the gender wage-gap. As women are generally paid lower than men in similarly qualified occupations, they would be inclined to find all forms of objective principles for (e)valuation better, whereas men might believe, to a higher degree, that their value is independent of such measures (cf. Stråberg 2010: 26). To some extent, this argument can find support in Fuller and Cooke (2018), who stated that theoretical assumptions suggesting that incentive and merit pay would generally favour men who are fathers – because they are assumed to be high performing – may be questioned.

To conclude, this study contributes to the pay satisfaction and justice perceptions research by addressing the question of the legitimacy of PRP and other principles for pay determination simultaneously, exploring the multifaceted nature of legitimate pay principles in the Swedish public sector. In addition, the aim to empirically test the theories of multiple institutional logics and orders of worth and relate these to the tension between organisational position, profession and occupational function, and organisational differences, lay the groundwork for further theorising of the legitimacy of different principles to (e)valuate employees and their work in contemporary organisations.

This study has certain limitations, so further empirical research is needed to verify and nuance the generalisability of our results. Since this is a cross-sectional survey, any conclusions regarding causal effects must be reached with caution. In addition, there were some, albeit mainly very small, clustering effects in the data between the organisations; there may be some common source bias not accounted for, and there may also be some halo effects that are not controlled for adequately. Finally, the analyses of organisational effects could be expected to be contextually contingent (cf. George and Pandey 2017; Gerhard and Fang 2015; van Loon 2017). As we only surveyed Swedish public sector organisations, we cannot control for the effects of national cultures or industrial relations institutions. Therefore, the results need to be further developed and tested in future research. Even though some previous comparative research has touched upon these issues (Frank et al. 2015; Salais 2011; Scott et al. 2015), more would be needed to discuss the influence of national cultural values and institutional contexts.

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