



VARIABLE PAY SYSTEMS (PAY FOR PERFORMANCE): COLLECTIVE BARGAINING AND WAGE INEQUALITY

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ABSTRACT

Variable Pay Systems or Pay for performance suppose variable additional components to regular wages connected, for example, with the evolution of the firm objectives or with the evolution of the individual features and productivity. These forms of variable remuneration have had a growing importance over last years for different reasons. On the one hand, due to their growing importance in Collective Agreements as a non-consolidated pay. On the other hand, because they are implemented to all staff members, not just top executives.

Some literature justifies the introduction of Variable Pay Systems with the improvement in productivity, because of their connection with motivation workers. But our conclusions indicate that, in some cases, these variable remuneration systems could become a factor which worsens the wage distribution and which contributes to grow the wage inequality level.

We use data from SES (Structure of Earning Survey) to carry out our econometric analysis, which offers a cross-sectional dataset and includes matched employer-employee microdata. And we compare six different European countries with different Collective Bargaining framework in order to analyze in which way Collective Bargaining schemes have influence or determine our results.

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