Cash, codes and complexity: New adventures in the public management of pay scales

Betina Wolfgang Rennison*

Department of Management, Politics & Philosophy, Copenhagen Business School,
Porcelænshaven 18A, DK-2000 Frederiksberg, 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 that this constructivist assumption implies. Through an analysis of a new pay reform in the Danish public sector, this article theorizes the complexity in terms of Niklas Luhmann’s systems theory. In an attempt to understand the ambiguities of today’s management of pay, it identifies four wholly different ‘codes’ of communication; law, money, learning and love. Each of them struggles for the position to construct ‘pay’, ‘personnel’ and ‘management’ differently. Ambiguity is construed in terms of the complex interference that arises between the systems of communication that are coded in these ways. Through this codified complexity, the new pay reform does not merely represent an innocent ‘management technology’, but a productive ‘management policy’ drawing on conflicting codes setting specific distinctions for rewarding, distinct boundaries for managing work life.

© 2006 Elsevier Ltd. All rights reserved.

Keywords: Management; Personnel management; Employment relations; Pay system; System theory; Niklas Luhmann; Critical management; Communication

0. Introduction

“How on earth can it be so difficult to manage a paycheque?” said the manager of an administrative office when I interviewed him. “In this New Pay system there are so many and often conflicting considerations to be aware of.” While this web of considerations

*Tel.: +45 3815 3559, +45 29706060; fax: +45 3815 3635.
E-mail address: bwr.lpf@cbs.dk.
makes managing a paycheque a complicated affair, however, it also establishes the very conditions that make management possible. As this article will show, complexity offers managers, not just “a difficult tight-robe to walk on,” as the administrator described it, it offers them an opportunity to approach pay as a management issue in the first place; moreover, it functions as a mean to construct management as such. This can be seen very clearly in regard to the new pay scale that has recently been implemented in the Danish public sector. Here pay is discussed in different ways, which makes the decisions more complicated than ever before, and also more complicated than the designers of the new scale ever imagined.

This not only shapes widely divergent views of financial compensation, it also constructs a great range of identities for both employees and managers, i.e., a variety of ways of defining their respective functions. Neither pay, personnel nor management are permanent, pre-defined entities on this new approach to remuneration. They are shaped by the particular view of pay that is adopted at a given moment. The many possible ways of thinking about pay opens a plurality of issues, and this constantly threatens to decompose the position from which management can be defined. Management becomes a plural and emergent phenomenon, taking on a variety of forms in the different contexts in which it appears.

Drawing on the work of Niklas Luhmann the article construes the rationales behind the formation of pay as codes that shape communication about pay. It thus follows a line that has been suggested by other discourse-based studies of organisation (Alvesson & Deetz, 2000; Alvesson & Karreman, 2000; Calás & Smircich, 1997; Clegg, Hardy, & Nord, 1996; Grant, Keenoy, & Oswick, 1998; McKinlay & Starkey, 1998). The article proceeds from the so-called ‘linguistic turn’ and establishes a discursive constructivist perspective, seeing sociality as a result of communicative construction and insisting that language not just “naively mirrors or innocently re-presents the world but actively creates and powerfully shapes it” (Kornberger, Clegg, & Carter, 2006, p. 13).

This perspective challenges the traditional literature on human resource management (Guest, 1999; Sisson & Storey, 2003; Storey, 1992, 1995), employment relations (Beaumont, 1995; Farnham, 2000; Gennard & Judge, 2002; Madsen, 2002) and pay systems (Akerlof, 1984; Deci, 1975; Frey, 1997; Ibsen, 2002; Williamson, 1996). Adopting a behaviouristic position that focuses on the ‘essential’ behaviour of actors, those perspectives are guided by a normative ambition to discover ways of improving this behaviour by diverse managerial technologies (like skill-based and performance-related pay). By contrast, this article works within a communicative systems-theoretical perspective (Luhmann, 1996, 1998). Rather than seeing management, personnel and pay as essential phenomena, it takes a step back in order to look at the categories themselves, their construction and their position in organisational communication. Rather than forming an immediate normative judgement about the new technology, the article analyses the way the new pay scale emerges and the consequences this has for the communicative construction of management and thereby for the created ideal representations of personnel.

The article consists of five sections. Section 1 presents the empirical background; it describes how pay has increasingly become a topic of interest to management research, i.e., how it has gone from being a labour relations issue to being a management issue and how,

---

1The article is based on one of the analysis in my Ph.D. thesis. For further information about empirical data, theoretical considerations, and analytical results I refer to chapter 5, 6 and 7 of this publication (Rennison, 2003).
in doing so, it has become the site of ambiguity. Section 2 presents the theoretical perspective, namely, a systems theoretical framework emphasising functional differentiation and coded communication and Section 3 presents the methodology that guided the empirical work. The analytical results are then presented in Section 4, delineating the four codes that govern communication about pay with the implementation of the new scale. Section 5 offers some concluding remarks about the important relationship between strategic ambiguity and coded communication, and makes an appeal for further research examining the construction of management.

1. Empirical background

The Danish pay reform, called ‘New Pay’ (Ny Løn), emerged out of collective bargaining in 1997, and has since been implemented in the public workplaces. This implementation has not been easy. New Pay has meant entirely new principles for pay formation and has led to a fundamental shift in the manner of conducting management, in the perspective on employees, and in the organisational operations of the public sector (Ibsen, 2002; Madsen, 2002; Pedersen & Rennison, 2002).

The emergence of New Pay can be seen in relation to the general New Public Management reforms of the public sector in Denmark, featuring ‘managerialism’, individual performance and market orientation, which have been taking place since the beginning of the 1980s. National policy reform of this kind integrates personnel and pay policy as means to accomplishing the goals of more ‘professional’, ‘effective’ and ‘flexible’ services. The old system is discarded as a barrier to modernization and the renewal of the public sector and the New Pay reform is intended to bring about significant changes, effecting a transition

From detailed rules towards flexible frames, from centralism to decentralization, from solidarity to market-orientation, from standardization to differentiation, from external given conditions to local solutions, from reactive to active careers (Local Government Denmark, 1998, p. 10).

The reform implies that the allocation of pay no longer proceeds solely in terms of the administration of centrally negotiated agreements, seniority tables, positional hierarchies, and norms regarding solidarity. On the contrary, decisions regarding pay must be based on

\(^2\)The New Pay reform is a result of a historic incremental process of change beginning with the first local pay system in 1987, accelerating ten years later with the New Pay reform in 1997. The process is characterized by taking small steps towards a more local and individualized pay system. Before 1997 the different pay systems were typically experimental in nature and were based on central funds regulated and evaluated by central negotiations, in reality not leaving much room for the local level to decide. The systems also were dominated by seniority and solidarity based pay, not open for individual skills and performances. So in 1997, after 10 years of experiments, the central negotiating parties in the public labour market agreed on a new system to make a local and individualized system possible (Pedersen & Rennison, 2002, p. 12). In spite of the New Pay reform making the local public organisations and their managers more responsible for the decisions about salaries, it is important to note that this does not rely on an individual or one-to-one manager–employee relationship (resulting in a decline in union representation and collective bargaining). The pay system in the public sector of Denmark still functions as a normal and not minimal system, still setting the collective central negotiations between employers’ associations and unions as the essential part in our so-called corporative ‘Danish model’. In this employment-relations-system decision about pay takes place under Union supervision, and Unions have to be consulted locally prior to implementation.
the local organisational context, along with individual performance levels, employable skills and personal competences.

In principle, New Pay ‘sets pay free’. It moves decisions from the national centres constituted by employers’ associations and unions to the decentralised organisation and its local sites—the kindergarten, the school, the old-age home, the hospital etc.—where it becomes a theme in the organisation’s own communication. This is a real change in Denmark: pay becomes something that managers can discuss with their employees, rather than something that is determined elsewhere. This change poses important challenges to the managers, as a director in the technical sector points out:

New Wage demands a lot of the local managers. Before, they were just supposed to administer a simple system and they could just refer to the central level ‘in Copenhagen’ or the central personnel office. But now they are expected to take responsibility and to make arguments for the pay that is granted. Earlier it was too easy, now it’s quite hard.

In the old system, pay was just a brute fact, something to be accepted, not debated at the local level. It was all about administration, not management. But with the new reform pay becomes a communicable topic; something one must take a stand on and decide about in the individual organisation. Pay no longer constitutes a firm, indisputable form—it becomes disputable. Thus, pay becomes relevant in a management study.

1.1. Ambiguous dispute

As a disputable object, pay is now communicated in contradictory ways. This can be seen in what employees and managers of public organisations say about the determination of pay under the new reform.

They say that we have free pay, and no economic limits, but at the same time they have tied our hands and feet with rules that pre-determine the decision so that we are not able to do anything at all! (Manager of an administrative office).

The New Pay reform is meant to motivate us to further education, so that we can be more qualified and thereby get a raise. But it’s absurd, because we cannot get the courses we want. And ‘naturally’, the courses must relate to our work, they must have a ‘productive value’, as they say. We can’t learn just for the sake of learning. It is all about money!

This new system focuses on our qualifications, and rewards us for more courses taken. But then, why are my formal qualifications not enough!? Why is it not enough that I am good at my job—…why do I have to be committed to the workplace with all of my personality and personal feelings to get my pay cheque…It is never enough—they both want us as professionals and persons! (Employee in a Kindergarten).

As seen from these empirical interferences, and as I will show further on in this paper, it is often hard for the people involved to figure out which arguments are at stake. The communication about New Pay confronts and develops multiple and often conflicting values; legal values against economic, economic against educational, educational values against values of personal commitment, and so on. Talk about pay is not based on clarity and consistency, but on ambiguity and contingency, not least because ambiguity plays an
important strategic role in construction of management. Management needs confusion and disorder, as Eric Eisenberg pointed out over 20 years ago:

Effective leaders see ambiguity strategically to encourage creativity and guard against the acceptance of one standard way of viewing organizational reality… When confronted with difficult decisions, managers must often ‘juggle’ multiple goals. This juggling involves using less than explicit language, being purposefully vague” (Eisenberg, 1984, p. 231).

“Clarity,” he notes, “is always risky” (235). Unambiguous formulations and clear criteria reduce the flexibility of decision-making and thereby restrict the power of management. Thus, instead of claiming and encouraging clarity and consensus, he says, we should focus on ambiguity and contingency as preconditions for practising management. But from a research perspective, this focus could also lead us to examine why complexity turns up and how it actually works and unfolds. Here Luhmann’s theory of social systems can be of assistance.

2. Theoretical perspective

According to Luhmann, society is functionally differentiated into systems of communication each supporting their own values and communicative codes. Thus, society is differentiated into distinct systems like the legal, political, economic, scientific, educational, medicinal, mass media, art, religious, family/intimate systems (Luhmann, 1977, 1998, p. 707ff; for a detailed description of the systems referred to in this article see 1981, 1985 for the legal system, 1993a, 1999a for the economic system, 1993b for the educational system and 1986, 1995a, 1995b, 1999b for the system of intimacy).

Functional systems have some general characteristics;

- they serve particular societal functions,
- they relate to symbolic generalised media and binary codes,
- they are operationally closed around their specific communicative operation, and from this coded position they are cognitively open for mutual interference,
- they need organisational systems serving as transmission links between them.

In the following elaborate on these theoretical characteristics.

First, like a general principle of ‘division of labour’ each functional system constitutes expertise in a particular field, where it serves an individual function. E.g., the function of the legal system is security and conflict-regulation, the economic system regulates prices

\footnote{Niklas Luhmann (1927–1998) has made substantial contributions to both general sociology (Luhmann, 1996, 1998, 2003b) and organization studies (Luhmann, 2003b,c). In contrast to other contemporary prominent social theorists such as Foucault, Bourdieu and Habermas, Luhmann developed an organization theory based on his general theoretical approach. And in contrast to much organizational theory Luhmann connects his theory of organizations to his theory of society and sociality, creating a sociological organizational concept integrating the societal context. In the past few decades Luhmann’s theory has been widely influential in Germany and in German-speaking countries. In the last 10–15 years, the theory has expanded to the Scandinavian countries—institutionalised in relation to The Nordic Systems Theoretical Network. Luhmann’s work has recently attracted international attention in an anthology in the series of Advances in Organization Studies (Seidl & Becker, 2005) and in a Special Issue of Organization 2006, 13(1) (Baecher, 2006; Seidl & Becker, 2006).}
and supports material reproduction and transaction, the educational system has the function of educational development and career-selection, and the functionality of the family/intimacy system is related to socialisation, social reproduction and partner-selection.

Second, each of the functional systems relates to a symbolically generalized medium, which indicates the particular topic of communication, e.g., ‘law’ in the legal system, ‘money’ (or property) in the economic system, ‘learning’ in the educational system, and ‘love’ in the system of intimacy. Each medium establishes communicative codes, understood as basic and unambiguous binary preferences in which a distinction is made between a positive and a negative value, e.g., the medium of law refers to the code ‘legal/illegal’, the medium of money refers to the code ‘paying/not paying’ (or have/not have), the educational medium refers to ‘better/worse’ learning and the medium of love refers to ‘loved/not loved’. The positive value defines a fundamental preference or motive in communication and the negative value serves as a reflective value.

Third, functional systems are autopoietic (i.e., self-producing) systems; e.g., they are operationally closed around their own internal operations. They exclusively operate according to their own function, medium and code. The legal system, for example, is closed around the question of law and thereby turns everything into a judicial question of legal/illegal, blinding the communication to other distinctions. Even though the systems are cognitively open to external information, they translate and process it in their own way. Each system operates according to its own logic and treats other communications merely as perturbations that they process accordingly.

So, the interference between different systems does not result in a common understanding or the establishment of a dominant, hegemonic value. On the contrary, the interferences strengthen each of the systems in building up their own rationales. As Luhmann puts it, “This means that greater degrees of freedom are possible in spite (better: because!) of increased dependencies” (Luhmann, 1996, p. 213). Unlike other constructivist perspectives, especially discourse analysis and its focus on hegemonic discourse (Laclau & Mouffe, 1985), a Luhmannian framework thereby makes it possible to observe how communication differentiates in horizontal and equal, yet completely different and closed, forms of communication, constructing meaning in quite diverse ways, and interfering not for the sake of integration, but for the sake of further differentiation.

Finally, the fourth characteristic of functional systems is the interrelationship with organisational systems. In a functionally differentiated society, the connection between functional systems and organisational systems becomes important. Organisations make it possible for the different functional systems to meet and interfere. Organisations have the capacity to develop and bundle communication and thus serve as “transmission links” between the functional systems (Luhmann, 2000, p. 400). Organisations force each of the functional systems to process their own information on the same event or topic in parallel. By this means, organisations ensure that functionally specified communications, as Günther Teubner puts it, “no longer meet each other merely randomly, transitorily and tangentially, but are systematically synchronized.” Thus, functional systems that tend away from each other “are brought on to a common path of development.” (Teubner, 1991, p. 134).

The functional systems, on their side, also bring advantages to the organisations. An organisation—which in systems theory is defined as an autopoietic network of decisions—needs a specified horizon of meaning in order to frame its decisions; and the media and
codes of functional systems offer such a horizon (Luhmann, 1998, p. 830, 838, 2000, p. 9, 63, 183ff, 405; Højlund & Knudsen, 2003). Thus, when understanding a particular kind of decision, like those pertaining to pay, the most important task is to identify the functional systems that the organisational system links up with in particular situations. This theoretical point—which has also been invoked in discussions of ‘organisational polyphony’ (Andersen, 2003a; Hazen, 1993; Kornberger et al., 2006)—has guided the analysis to follow.

3. Methodological reflections

Luhmann’s work has a famously tense relationship with empirical accounts of social phenomena. The attempt to use systems theory as a guide to empirical research therefore raises important questions about how best to collect and analyse data. In this section I will outline an analytical strategy that derives from the assumptions of systems theory, and describe a way of generating data suitable for such analysis based on Michel Foucault’s approach to discourse analysis (Foucault, 1991).

Although the study of this article has the theory of functional differentiation at its base, it does not apply a deductive method. Since a strictly inductive approach is not attractive to a theoretically informed study, however, it adopts a strategy of oscillation (Andersen, 2003b). Here the theory functions as a horizon of meaning, establishing a frame of reference for empirical observations that in turn affect the frame, and expand the horizon. Society is presumed to consist of functional systems, and organisational systems are expected to connect a repertoire of systemic codes to particular decision-making practices (here, pay negotiations). These connections constitute communicative ‘themes’; they are what the concrete empirical communications about pay actualise in relation to each of the codes; they are the materials that we investigate in our attempts to understand the codes. In delineating a theme, therefore, we are constantly oscillating back and forth between the systems that code communication and the negotiations that are coded by them. This oscillating strategy is not just involved in the construction of themes, however; it is also deployed in constructing the management and personnel figures associated with each of the codes. In the legal system, for example, I construct management as ‘formal authorization’ though this is not a term that is used in either the empirical data or in the theory. Instead, this notion has been elaborated from the theoretical definition of the legal system and references within the empirical communication itself to the formal rights of managers, as well as rules and other legal agreements in their decision making.

The construction of the themes and figures of communication requires a particular kind of empirical material, i.e., something to represent communication about pay. A multiple-case study approach has been adopted (Yin, 1994, p. 13, 45) involving eight cases, drawing on material from two counties and six municipalities in Denmark, and covering different sectors of public service: health/hospital sector, elderly care, child care, the technical and environmental area, taxes, the social sector and central administration.4

4The eight cases are selected on the ground that they represent what at first glance seems to be typical in handling New Pay in the Danish local governments—they both demonstrate individual variation and common patterns in implementing the new scale. The cases are also selected in relation to criteria of representative diffusion in geographic position, number of inhabitants and political orientation of the majority in the council of the county/
The data consists primarily of qualitative semi-structured interviews with relevant informants: top managers, middle managers and managers of local institutions, HR managers and staff, employees and union representatives from the selected sectors in the eight cases. In all, 149 interviews, each lasting between one and two hours, were conducted with 182 persons (as the interviews were conducted in Danish, the cited quotes in the article are translated into English). Because this material must be amenable to scanning it is imperative that a written representation is made—accordingly, all the interviews were taped and transcribed.

Foucault cautioned against “interpreting discourse with a view to writing a history of the referent”; we must instead “dispense with ‘things’”, he said; we must “depresentify” them (1991, p. 47). Taking the “statement” as the focus of our enquiry means we will not be investigating the relationship between words (like “pay”) and things (like paycheques) but rather the “regulation of objects” (55) that turn up in communication (about pay negotiation). Indeed, even the people that ostensibly communicate about these objects, and especially their “psychological subjectivity” (consciousness), cannot enter our analysis except as empirical regularities of enunciation (55), to be accounted for at the level of discourse itself, not by reference to something outside or beyond it. As we will see, it is precisely this insistence on “the surface of discourse” that makes Foucault’s approach a fruitful way of generating empirical material for analyses framed by systems theory.

In order to identify the units of discourse, I scanned for statements concerning the formation of objects (what is pay?) and the formation of subjects (who pays, who gets paid?). From there, I used a three step method to analyse the communication itself. First, I coded (manually) the transcribed interviews by labelling the emerging statements and identifying patterns of meaning-condensation. Second, I categorized the codes or themes and related them to one another, so that some were put together in one category and others were split up on a more detailed level. Third, I conditioned the categories forming them into analytical concepts, following the forms of communication (media and codes) that the theory presents and the empirical data exhibits. I searched for patterns and relations, but also variations and contrast, and a corpus of text emerged that could serve as a basis for the analytical work to follow.

Doing and reading interviews under these constraints is challenging. First of all, from the perspective of systems theory, an interview can be defined as an independent system of interaction that creates its own meaning on the ground of its own observations (la Cour, Knudsen, & Thygesen, 2003). So we cannot claim that the communication generated in the interviews represents the communication emerging in the organisational system in any straightforward way. Rather, as Foucault might put it, the analysis “depresentifies” (1991, p. 47) the always imposing payroll issues themselves, and allows us to see the conditions under which pay emerges as something to be talked about. This obliges us to reflect upon the interview as a process of construction rather than representation. The interview is an opportunity to attain information about a specific discursive formation, manifest in municipality. The county of Vestsjælland, the county of Vejle, the municipality of Copenhagen (the township of Nørrebro), the municipality of Holstebro, the municipality of Nørre Rangstrup, the municipality of Lædedje-Smørum, the municipality of Haslev, and the municipality of Fredericia were selected on these criteria. Individual case reports have been written for each of the eight cases, and these serve as empirical bases for drawing cross-case conclusions. (See Rennison, 2003 for further information).
particular communicative themes. This thematic ‘aboutness’ is as close to a representation of pay negotiations as we will get.

Fortunately, it is close enough. The interview presents a constructed reality and as a constructed reality it has informational value. The informant functions as an observer and the interview thereby gives access to the observer’s observations of organisational communication. To be precise, the interview brings knowledge not only about how the informant constructs or observes the phenomenon of pay (first-order observation), but also how he/she reflects on that observation in relation to other constructions (second-order observation). The interview, then, takes the form of a system of observing observations.

A final point should be noted, which again suggests the relevance of Foucault’s method to studies of communication framed by systems theory. An interview is normally taken to reflect the personal thoughts, ideas and interpretations of the informant. According to Luhmann, however, this implies observing the consciousness of the psychic system (the informant) and interviews therefore normally try to observe something that is in principle irrelevant to the study of communication. The challenge for the interviewer who is trying to generate data for an analysis of coded communication is therefore to control the observation so that it observes communication and not consciousness. Controlling it means avoiding questions that cue personal opinions or attitudes and instead directing the questions towards the course of communication itself. During my interviews I posed questions like, ‘what kinds of arguments are typically used when this organisation explains to the employees why they receive this or that pay?’ ‘Are there other ways of arguing, other rationales?’ ‘What are the consequences for management and personnel?’ That is, the interviews have taken communication, not consciousness, as their subject and held on to the principle of construction, not representation. By this means it was possible, so to speak, to dispense with pay, with paymasters and payrolls, with managers and with employees, and look, instead, at the communication that is ostensibly ‘about’ them. Of course, we will not then have learned what pay is and certainly not who deserves another pay rise. But we will have learned how the complexities of payroll issues are constructed in organisational communication.

4. Analytical results

As already mentioned, the New Pay reform is based on diverse arguments. Using systems theory, we can understand this diversity of arguments in relation to the different functional systems. Communication about pay seems to be formed by four different systems, namely, the legal system, the economic system, the pedagogical (educational) system, and finally the intimate system.\(^5\)

---

\(^5\)Those four systems are the ones most of the observed communication seems to refer and construct itself in relation to, thereby not saying that they are the only ones. It should be noticed that I observed yet another code; the moral code (see Rennison, 2003, pp. 259–268). In handling uncertainty regarding personnel assessments, communication is offered a moralistic framework that can be put into effect when everything else fails. In the moral code there is a subsequent demarcation of what and who is considered to be respected and disrespected. Pay is allocated on the background of a moral verdict of the individual employee, depending on how the person appears and regulates himself/herself in relation to the formal or informal traditions and norms for right/wrong behaviour. Management appears as moral judgment, where the employee as an ethical subject is judged according to the moral standards, the code of conduct, over which he/she has to comply and control himself/herself to get a
With the general empirical wage-history in mind, it is quite obvious that the legal system occupies a prominent position, supplying the code that exclusively determined wages prior to New Pay (Pedersen, 1998). Despite the intentions of de-bureaucratization, legal considerations continue to be of relevance in the New Pay reform, now operating on the local level as well. The economic system is also one of the ‘grand old’ codes in pay-setting, but in relation to the New Pay reform it has expanded its significance, again on the local level. The pedagogical and intimate systems are the new-comers in the New Pay policy, which can be seen in relation to the general trend of individualisation and personalisation in present personnel management focusing on the employee’s individual talents, performance and personality. The four codes are summarised in Table 1 and analysed in the sections to follow.

4.1. The code of law

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 Pay we have made in our house—I look at the rules, you might say (Manager of a residential home)

Under the New Pay regime, communication draws, first and foremost, on a legal style of argumentation, regarding remuneration in the light of existing rules. Pay is here seen 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 organisation’s pay policy. As Luhmann points out, to invoke rules and rights in communication means pay rise. This moral code shows that communication about pay can not always be rationally explained. When dealing with personal issues it is tempting to become moralistic and to make irrational judgement of persons. In line with that, other similar irrational and discriminating arguments might come into play in wage fixation; issues such as gender, age, educational background, managers’ personal likes and dislikes and other affective aspects that might influence the decisions regarding pay. These issues are seldom explicitly talked about in my observed communications—therefore they are not analysed in this article (but that of course does not mean that the ‘non-talk-able’ is non-existing). Due to the space limitations of this article and because of the implicit character of communications of this sort, I have chosen to focus on the codes of communications which are visible and explicit in the interviews done.

<table>
<thead>
<tr>
<th>System</th>
<th>Legal</th>
<th>Economic</th>
<th>Pedagogic</th>
<th>Intimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium Code</td>
<td>Law</td>
<td>Money</td>
<td>Learning</td>
<td>Love</td>
</tr>
<tr>
<td></td>
<td>Legal/illegal</td>
<td>Paying/not paying</td>
<td>Better/worse</td>
<td>Loved/not loved</td>
</tr>
<tr>
<td>Theme</td>
<td>Universality</td>
<td>Particularity</td>
<td>Differentiation</td>
<td>Intimacy</td>
</tr>
<tr>
<td></td>
<td>Predictability</td>
<td>Profitability</td>
<td>Perfectibility</td>
<td>Authenticity</td>
</tr>
<tr>
<td></td>
<td>Standardisation</td>
<td>Price-setting</td>
<td>Correction</td>
<td>Anticipation</td>
</tr>
<tr>
<td>Pay</td>
<td>Legal right</td>
<td>Economic incentive</td>
<td>Merited mark</td>
<td>Declaration of love</td>
</tr>
<tr>
<td>Personnel</td>
<td>Rights demanding legal objects</td>
<td>Calculating wage earners</td>
<td>Pupils fit for development</td>
<td>Passionate partners</td>
</tr>
<tr>
<td>Management</td>
<td>Authorisation</td>
<td>Transaction</td>
<td>Supervision</td>
<td>Seduction</td>
</tr>
</tbody>
</table>

(footnote continued)

pay rise. This moral code shows that communication about pay can not always be rationally explained. When dealing with personal issues it is tempting to become moralistic and to make irrational judgement of persons. In line with that, other similar irrational and discriminating arguments might come into play in wage fixation; issues such as gender, age, educational background, managers’ personal likes and dislikes and other affective aspects that might influence the decisions regarding pay. These issues are seldom explicitly talked about in my observed communications—therefore they are not analysed in this article (but that of course does not mean that the ‘non-talk-able’ is non-existing). Due to the space limitations of this article and because of the implicit character of communications of this sort, I have chosen to focus on the codes of communications which are visible and explicit in the interviews done.
“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, p. 241). Once the legal code is invoked, there is nothing else to appeal to.

The legal code is observable in the themes of ‘equality before the law’ and ‘the principle of universality’. With the New Pay reform the old principles of equality and solidarity are suddenly substituted with differentiation and individuality, raising many questions about securing equal rights and avoiding discrimination. The 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!?

Establishing and referring to legal rules seems to be the answer.

At the same time, a theme emerges regarding the predictability of the pay system. Here the legal code appears in questions about how a measure of security can be maintained, as well as how a transparent and objective pay determination process can be ensured. There is an important irony here since we are talking about a system that is in principle open to a variety of arguments. Indeed, the legal code is often invoked in an attempt to close discussions. An HR manager describes the problem this way:

New Pay is in danger of valorising whoever 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.

An employee in a kindergarten is not convinced about the benefits of objectivity, though she seems acutely aware of the presence of the legal code:

Even though she [the manager] says that it’s important who we are and what we are capable of as individuals, she sets pay according to the general bargaining agreements and doesn’t differentiate. ‘That’s too dangerous!’ ‘You must remember to consider everyone’—‘and it has to be objective’—that’s her form of argument.

Rules that are capable of ‘anonymising’ instead of ‘personalising’ are invoked as a way to secure a kind of objectivity in an increasingly subjective system.

This brings us to the theme of standardisation in pay formation. Legal communication here established a reference to a well-organized, objective planning process, where nothing is left to coincidence. The process is presumed to be registered in a prescribed regulative, strategic and procedural order. As a vice director in the social sector explains:

So that coincidences will not determine the result, we want a legal framework for the individual rewards. It is important that it’s because you understand what is said in the agreements, policies and procedures, that you get points and rewards.

Legal communication, in other words, takes place in order to secure standardized, predictable and universal pay-setting.

The function of the legal system is to minimise the risk of conflict.6 By referring to the current rules, which clearly signal normative expectations concerning rights and

---

6Luhmann does not understand the legal system in relation to an idealized situation, where the organization or the society is free of conflict. The legal system cannot and ought not eliminate all controversies. Its function is just to stabilize possible reactions by leading them into fixed structures. A systems theoretical perspective does not seek
obligations, one can reduce the amount of conflict. This theoretical point is evident in the interviews. A local leader of a social institution put it as follows:

For us the starting point was the professional standards and rules, whereby we established a solid ground for negotiations so that we avoided unnecessary conflicts.

In that sense, legally coded communication suggests 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 while at least. This is the very point of labour legislation: to install rules that transform competing interests into legal issues. 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. This turned out to be quite a relief for some of the interviewed managers.

When observing communication about pay from the legal perspective, we come away with an understanding of management as a function of formal authorisation, i.e., as grounded in the authority 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. As the manager of a health institution explains,

As a manager I have the right—and it is my duty; it is expected of me!—to decide what kind of pay my employees are obliged to have. Of course, I have to negotiate with the unions, but with my reference to our common agreements, our pay policy and the other rules, I am on secure ground, so to speak. They give me a legitimate position, an authority to manage.

Authority is an institutionalized, formally delineated (i.e. “authorized”) managerial competence to make decisions on the background of legal decisions made in the past as exemplified in pay agreements, pay policies and pay procedures. These decisions constitute a body of legal referral and provisions of authority. A top-manager in the social sector says:

The HR manager actually gave me a very nice briefcase in which everything was written down. All lined up from A to Z! It was as neat as it can be. All I had to do was read it and do the things described. It was like a manual—ready to use. And it gave me my competence to do the job.

Communicating in the code of law renders situations foreseeable and makes it possible to reduce the amount of uncertain communication. The rules provide management with the necessary reasoning: these justifications are, so to speak, beyond discussion. Here arguments stop and reasons appear self-evident. Legal authority, then, comes to fit Luhmann’s description: a justified superiority of conviction. This sense of superiority is very evident in the data.

(footnote continued)
solutions of conflicts, but possibilities of forming them. Conflict-solution is not the aim; it is more likely a side-effect, which also can be subjected to scepticism. (Luhmann, 2003a, p. 455). In general, it is hard to imagine a society without conflicts—as Luhmann puts it, the functional differentiated society is “pregnant with conflict” (Luhmann, 1982, p. 82). Differentiation and organizing depends of “normalization or routinization of conflict behaviour” (Luhmann, 1982, p. 84).
The legal code can therefore be understood as a convenience for managers and unions alike. Even though the intention behind New Pay was to provide liberation from the ‘tyranny of rules’ and less bureaucracy in pay 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 Pay system in the public sector, and the first thing they do is to make an enormous set of rules for the way we are to administer the pay. But one has to be careful not to make it all a question of rules!

Yet, the dominance of legal communication is not absolute; as it turns out, there are other ways of expressing the pay issue.

4.2. The code of money

It’s all about supply and demand, economic reasoning. And here the employees must learn to sell themselves and show their competences, their worth, so the managers can make their decision about whether or not they can and will reward them, whether or not they deserve 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 considerations about what can profitably be done in a given situation. This is also the case in relation to pay formation. An economic form registers communication regarding pay in the medium of money, constituted by the binary logic of the code paying/not paying. Decisions about pay 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 more and better performance. In this form of communication employees are articulated as calculating and profit-maximizing wage earners who allow themselves to be regulated and motivated by prospects of pay-increases. As a consequence of this logic the individual wage earners are assumed to voluntarily act in the absence of rules or control, but only as prompted by economic incentives.

There are a lot of empirical examples of this incentive mechanism—many of them indicating an expanded rational economic logic. As a union representative expresses it:

Of course, the employees need to be aware of their worth or else they won’t get a raise—but we have to be careful that this focus on money doesn’t get out of hand. Some of our members say: ‘If we don’t get paid for this extra work, we won’t do it.’ It is not yet the usual tone, but it’s the danger with this New Pay.

In this sense, money seems to have a double function; it is used as an incentive on the employer side, and as a form of pressure in the hands of the employees. Money thus functions as a medium of potential conflicts. While the code of law functions to reduce conflicts, the code of money in this case establishes conditions for partisan interest and thereby potential conflicts.

Apart from conflict between parties, economically coded communication raises a variety of themes. The argument is first of all established around the price-setting evaluation of labour, and attention is directed at what the employee is worth by virtue of being a factor
in production and investment. How the individual can be ‘priced’ in relation to the external and internal labour market becomes the central issue. 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.

This form of argumentation is also found in relation to increased salaries in order to be able to recruit or retain certain groups of employees:

If we really want a competent IT expert, we have to pay the necessary amount to compete with the private sector (Top-manager, technical sector).
If we want to avoid staff shortage, we have to include seniority considerations in our wage policy to be able to keep our senior employees (HR manager).

The New Pay reform opens new possibilities for rational calculation.

We also see another theme, concerning *profitability* and whether it pays to pay a given salary for a given effort (or for the employee; whether it pays to do the extra effort or not). As a manager in the tax-sector explains:

In my considerations about whether an employee will get something or not, I make some calculations—do I think that if I give him a rise that he then will do his job better? A lot of people say that pay doesn’t matter, but I think it does to some extent. I, at least, use it as an incentive—as a carrot to make them do more and do it better. And on that ground I make my calculations—does it pay to pay? And do I have money enough on my pay-roll to do it—that is often the hard problem!

Here financial calculation is invoked: an estimate is made on the basis of the opportunity to pay or not pay a given salary. The available payroll resources are calculated and prioritised in terms of the greatest possible utility for work operations. Cost–benefit analyses seem to be conducted; the costs related to certain labour inputs cannot exceed ‘the benefits’. The greatest possible utility must be ensured from the resources spent, i.e., ‘we must have value for money’, as some said. A balance must be found between performance and returns.

Following this logic of rational calculation, management becomes management by *transaction*. In this transaction, economic possessions are exchanged in accordance with productive performance; money is exchanged in accordance with work done—as the quote from the tax-manager illustrated. Management by transaction refers to the past as well as the future; exchanges are made both on the background of the services rendered and the expected yields. 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’. The management of transaction thus employs a classic financial ‘option thinking’, where a potential return is calculated in relation to a given investment. The employees are 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 providing the proper yield. This sort of financial fortune telling 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 pay, 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 must construct an incentive-compatible relationship that is shaped in such a manner that it becomes the best interest of ‘the agent’ himself/herself to act in accordance with the interests of the ‘principal’. At the outset, the interests in the transaction are different, and they continue to be different; they must, however, be made to converge in the effort to achieve value equivalence and mutual benefit. This accords with systems theory, which defines a transaction as “a communication, that re-symmetries the asymmetry of the service” (Luhmann, 1999a, p. 256). That is the ambition of economically coded communication in general, and a particular challenge often mentioned in the interviews done, albeit not without reservations:

It’s possible to manage in relation to an economic point of view. You then simply get a kind of employee who mirrors that. I just think it’s more interesting to manage in relation to the professional substance, which makes for a kind of employee who reflects that instead (Manager of a Kindergarten)

This, of course, opens the door to yet another code.

4.3. The code of learning

It is just like passing an exam—some get high grades, some low—it all depends on their qualifications, how good they are at 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)

Connecting to the pedagogical system decisions about pay are led by the media of learning and the code better/worse in terms of the level of qualifications and developmental progress involved. Salaries are neither allocated as a right nor as payment for rendered or expected services; rather, they are allocated as a grade or mark of merit, as a recognition for the developmental steps the clever ‘pupil’ has demonstrated.

This communication is particularly occupied with thematizing differentiation: each employee is construed as a particular individual with particular skills differentiated from others. The general point of view of the professionals involved is that the universal rules and rights of the old pay system are not capable of taking individual notice—it cannot grasp the differences that characterize the employees. Thus, in the New Pay scale the employees are not treated as equals; ‘they are different but with equal worth’, as a lot of the informants express it. Some of the employees find it difficult to grasp this principle, however, as a manager in the elderly care sector points out:

The greatest challenge is to get the employees to get used to the fact that they are no longer equal. Now there are differences among people. It has been difficult for a lot of them to understand that they are being examined, measured and rewarded individually.

The ideal seems to be that individuality must be respected and lauded as the idea of ‘solidarity at any price’ retreats. A union representative from a social sector explains this change.
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 pay. It’s quite a change!

The personnel must now be sorted on the basis of the code better/worse in relation to what can generally be expected of a person in their position, with their particular education, experience, etc., and in relation to the norms for quality established in the organisation. What is now noticed is how the different individuals perform according to professional standards and personal competences.

The New Pay reform pays a great deal of attention to personal competences such as ‘commitment’, ‘ability to corporate’, ‘independence’, and ‘flexibility’. This personal focus does occasion some frustration as an employee in a kindergarten says:

This new system focuses on our qualifications, and rewards us for more courses taken. But then, why are my formal qualifications not enough!? Why is it not enough that I am good at my job—...why do I have to be this or that person! It is never enough—they both want us as professionals and persons! And how do you measure personality, anyway? How many times do I have to hug the children to look committed enough to get a pay rise!?

In this emphasis on personal competences we can identify a shift in the observation of the employee from professional executors of a given function to subjects with a special (and formable) personality. The employees are no longer only seen in terms of their job, general professional norms, specific functions, and professional qualifications. They are also expected to develop; they are expected to learn; and, as we have seen here, this suggests a particular personality.

The code of learning is also occupied by the theme of perfectibility. In the observed communication an employee in a residential home expresses it this way:

One ought not to stand still in this pay system! It’s important that we innovate and qualify ourselves all the time—we have to make progress in order to move further up the salary class.

The employees do not merely have the right to perfect themselves; it is their duty to do so. Nobody is allowed to stand still in his or her development. Throughout the interviews, progress is valued over stability. Only development is rewarded, it seems. Following a theoretical claim this form of communication perceives the employees as pupils and even children (Luhmann, 1993b). They are to be formed, shaped, and developed in a constant process towards perfection and fulfilment. They have not yet reached their final form; learning is a life-long experience. As such, pedagogical communication can be said to be led by a distinction between potential and perfection, between the unfinished and unformed and that which is in a state of completion. Here the most important competence is the competence to develop competence. As a union representative says:

Most of the increments we have agreed on are not the ones in relation to documentarily qualifications, but the ones in relation to the ability to learn how to learn.
Continuously accumulated progress must be displayed; an effort must constantly be made in the direction of self-motivation, reaching ever-increasing levels of perfection.

In order to make that possible the interviews point to a certain kind of management: management as *supervision* or coaching. As an HR-manager emphasizes:

In this institution we offer all of our leaders a coaching-course so that they can learn how to ask their employees questions instead of bringing all the solutions themselves! A modern manager is the one who give space for the individual employee, so that she can find out for herself what to do, which further education she must have, and so on.

This supervision is performed by asking questions such as: Is the individual employee aware of his/her strong and weak sides? Is he/she developing or standing still? And is he/she willing to do anything about it—does he/she come up with suggestions to foster further development? Supervision is conducted as to who is better/worse in terms of self-development, as well as in terms of who has the ability to discipline themselves in the light of continued progression and perfectibility. Thus, by posing the right questions, thereby helping employees to help themselves, the objective is to invite the individual employees to reflect upon their past ways of thinking and acting in order to attain a reformed (developed) behaviour. This will then lead to a larger paycheque. That is the logic of the code of learning.

4.4. The code of love

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 such things I notice when I decide about New Pay (Manager of an administrative office).

A more intimate form of communication has emerged alongside the pedagogical one. This type of communication distinguishes itself by the way organisations and employment relations are normally characterized: intimacy is normally reserved for family life, not for work life, it normally relates to privacy; it is not a public way of expression. Observations of employment relations in modern organisations, however, leave us with quite another impression (see also Andersen & Born, 2001). In my analysis I noticed that employees were sometimes articulated in almost romantic terms; pay, it seems, was now being allocated in relation to whether the employee was *loved* or *not loved*. Pay is not just about money; it is a symbol of who is acknowledged and who is rebuffed. By this means, pay attains crucial symbolic value: it becomes essentially a *declaration of love*. Those employees, who associate themselves with the constructed ideal of a *passionate partner*, are highly valued. These are the employees who commit themselves passionately to the organisation, take responsibility for it, anticipate its needs and subsequently work to fulfil them.

In intimate communication the focus is on the most personal aspects of the employee’s characteristics (Luhmann, 1995b, p. 52). The employee’s entire personality is taken into account; all his/her individual characteristics are considered. An HR manager shares this experience:
The employees feel that we are going very close to their personalities when we want information about their qualifications—in this situation they sometimes feel we are going a little bit too close.

Some managers actually prefer this kind of personal relation as a way of showing that the employee is ‘seen’ and taken seriously. As a chief executive of a local authority explains:

The employee thinks it’s nice that one’s boss relates to you. Before there was sometimes a feeling of ‘well, I am sitting at the office, but God only knows how visible I am in the mind of the boss’. No matter which relations you are engaged in—also in marriage, I would also hate to be like air for my husband back home!—the only thing you never must do as a leader is to show an apathetic attitude. Give people praise or blame but never indifference. Luckily, the New Pay system makes it possible to relate to the employees as persons.

And that is a special kind of relating. The relation to the employee as a person does not refer to the fulfilment of given objectives for development, as in the pedagogical code. Using the code of intimacy, employees are observed as they ‘are’ in their unique presence. An employee in an administrative office highlights this point:

My leader is actually very good at seeing who I am. I feel he knows me. And this is also somehow the good thing about New Pay—it forces the leaders to see who we are and what we in our selves can and cannot do, like and don’t like.

Systems theory posits that the code of love is founded on a vision of authenticity, not of changing people in certain directions, making them into so-called better persons. The data confirms this. It is full of talk about seeing others ‘as they are’, and about ‘accepting’ or ‘rejecting’ them on that basis. No effort is made to transform the person. Love is about pathos, not telos, sensibility, not sense. In terms of intimate communication, you can take me as I am, you can love me or not, express affection for me or hate me. And you can’t make it into a rational question to reflect upon: you just ‘feel’ it. That’s the code of love.

In intimate communication, management emerges as seduction (Baudrillard, 1979). A manager in an environmental office makes this very clear:

I am pretty much aware of the means I can use in managing—it is not about making some rules that the employees ought to follow. That is old fashioned, and too easy. No, it is about making them follow me and this workplace—all by themselves, by telling them good stories about how well we do things, how good we are here in our ‘family’—and all the time include them and make them understand that they make a difference as individual persons …Pardon my metaphor; it is like when you want to get in contact with or seduce someone, you have to make that someone believe that he or she is one of a kind, that you care for her or him, and that the two of you have something in common, something to build on, you are a ‘couple’ and all future possibilities lies open.

To follow this metaphor, management aims at seducing the individual employees to commit to and embrace the organisation with all of their hearts. This raises new managerial questions. Are the employees able to incorporate the organisation, its work, objectives and interests; to (re-)create themselves in its image? Are the employees willing to
dissolve the strict division of work life and private life and include function with person? This turns up as decisive for pay in the interviews whenever these decisions are articulated in the code of love.

Managerial seduction is an attempt to foster an internalised relationship between manager and employee, where the partners are united as ‘significant others’. The code of love is preoccupied with how the pay system can initiate the binding of person and organisation in a relationship that does not mark difference, but unity. The pay and managerial relationship is not thematized as a us/them relationship; rather, it is constituted on the basis of a ‘we’. It is not the legal object versus the authoritative body, the wage earner versus the principal, or the pupil versus the supervisor; to the contrary, it is the employee and the manager, each as the other’s ‘better half’, 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 upon their practice; on the contrary, it is about getting them to fall in stride; the aim is to absorb them, allure them, even tempt them.

A trick in this kind of management is the use of ‘values’. By formulating a shared foundation of values (as all of the studied organisations have), the organisation installs a sense of wholeness—a perception of a ‘shared destiny’. Employees are seduced into loving the organisation with the help of positively charged values such as ‘responsibility’, ‘cooperation’, ‘openness’, ‘dialogue’, ‘learning’ and ‘engagement’. At the same time, they know what they are to orient themselves towards and play up if they are to make a good impression and make themselves worthy of higher pay. A manager of a social institution explains it in this way:

> When we manage in relation to values instead of rules the employees’ are not active only 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.

Employees are to be drawn in and involved as whole persons, committing themselves to defending the values also after work. In this form of communication the ideal of ‘legal objects of rule-regulation’ is overcome by the ideal of ‘impassioned partners of values-management’.

Intimate communication thus allows the pay and managerial relationship to be characterised as a relationship wherein the employees are seduced to devote themselves to the organisation. On the face of it, this can appear like force or control; it is cleverer than that, however. The trick is to provide the employees with the freedom to give (Luhmann, 1986). Through the delegation of responsibility and requirements concerning self-management (an ideal in all of the observed organisations), the employees receive a free framework to demonstrate their ‘love’ (Andersen & Born, 2001). Here, the intimate relationship is about how space is provided partners to enable them to give, not just something specific, but first and foremost a part of themselves. This is intended in the double sense of giving a part of oneself to the organisation, and of doing it on one’s own, i.e., without being asked to do so. Ideally, it is not necessary for the organisation to make requests or issue orders. The employees are supposed to figure out on their own what the organisation requires. Orders and instructions are fatal for love. Anticipation and pre-emptive action, instead, breathe life into the relationship. The code of love is
rooted in an *anticipatory* logic; it is an instrument for the fulfilment of unarticulated desires (Luhmann, 1986).

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 space of uncertainty created by an anticipatory logic of this nature. It is established when the employees are 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—to talk and act appropriately in a given situation.

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.

This is how the manager of a social institution describes it. Power is actually everywhere, but in a quite inconspicuous manner. ‘I do not exercise power—I just provide freedom,’ the manager can always claim.

5. Conclusion

In examining New Pay, the main argument of this article is that the ambiguities of pay are the result of interference between codes that condition how we communicate about pay. ‘Interference’, in systems theory, implies the existence of autopoietic systems that code communication in different ways (Luhmann, 1977, 1996, 1998, 2000). Thus, the most important task in the article has been to characterize the separate codes that are at work in communication about pay. To this end, a sample of communication about New Pay has been produced by interviewing members of public organisations in Denmark. This sample brings evidence of four diverse communicative codes; law, money, learning and love. Each of the codes constructs communication in its own way and fosters sharply contrasting perspectives on personnel and management. Thus, management emerges as a plural phenomenon, taking on different forms such as ‘formal authorisation’, ‘clear-cut economic transaction’, ‘educational supervision at a distance’, or ‘absorbing seduction of integrated selves’. The employees are correspondingly constructed by management as ‘legal objects’, ‘calculating wage earners’, ‘pupils fit for development’ or as ‘passionate partners’. By this codified complexity the New Pay reform does not represent an innocent ‘management technology’, but a productive ‘management policy’ drawing on conflicting codes that establish specific distinctions for rewarding workplace successes, special forms for the exercise of management, and distinct boundaries for being an employee. The communicative process has 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. And the criteria of inclusion change all the time. There are no fixed and clear role-descriptions, just changing and contingent expectations set by the complexity of codes.

In this complexity of cash and codes, codes are continuously chosen, renewed and replaced, pushing and pulling the communication in different directions. The different codes occur simultaneously and sequentially. These shifting perspectives can result in disruptions, rendering situations unclear for the participants. Disorder and unpredictability permeates
the communication we can observe. ‘Just when we thought that this is what it is all about…’ communication about pay invokes another code. There is a persistent multiplicity of meaning-creating differences.

As this article has shown, the new complexity of pay-roll management is constructed by the differentiated communication it employs. Decisions in modern organisations are inevitably made by dealing with differences between codes and continuously managing the tension between them. The strategic management of ambiguity that Eisenberg (1984) describes can thus be understood as management of the interference that arises by bringing the diverse codes together. The challenge of management is to use coded complexity as a strategic resource for the realisation of management objectives—for fostering flexibility, creativity and opportunities for change. Management studies can be of assistance here by shedding more light on the conditions under which management constitutes management itself.

References


