EMPLOYEE PREFERENCES FOR PAY SYSTEMS AS A FUNCTION OF PERSONAL JOB INPUTS AND JOB CHARACTERISTICS

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EMPLOYEE PREFERENCES FOR PAY SYSTEMS AS A FUNCTION OF PERSONAL JOB INPUTS AND JOB CHARACTERISTICS

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James W. Mirabella

We hereby certify that this Dissertation submitted by James W. Mirabella conforms to acceptable standards, and as such, is fully adequate in scope and quality. It is therefore approved as the fulfillment of the Dissertation requirement for the degree of Doctor of Business Administration.

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CERTIFICATION STATEMENT

I hereby certify that this paper constitutes my own product, that where the language of others is set forth, quotation marks so indicate, and that appropriate credit is given where I have used the language, ideas, expressions or writings of another.

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ABSTRACT

EMPLOYEE PREFERENCES FOR PAY SYSTEMS AS A FUNCTION OF PERSONAL JOB INPUTS AND JOB CHARACTERISTICS

By

James W. Mirabella

Performance-based pay is a reward system innovation in which individuals are compensated based on their work output. Today there are multitudes of pay systems currently in place in both the private and public sectors, but these systems are preset and do not typically consider the motivations of the employee. The purpose of this study was to evaluate what factors drive employees to select a pay system that would motivate them for maximum performance and minimum turnover.

Five research questions which guided this research are: (1) Is there a significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems? (2) Is there a significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems? (3) Is there a significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems? (4) Is there a significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems? (5) Is there a significant difference between how respondents rank their current pay system in its use of "performance" as a criterion vs. their rating of "performance" as a preferred pay criterion?

The results supported three of the five hypotheses. The study concluded that age is a significant determining factor in people’s preference for being paid based on their length of service with an employer. The study also concluded that educational background is a significant determining factor in people’s preference for being paid based on their education level. And finally, the study concluded that there is a significant difference in people’s perception of their being paid on performance versus their desire for such a pay system.

Further study is suggested to determine if motivating factors are consistent between manufacturing and service industries. It is also suggested that a study explore the motivating factors of downsized individuals from various pay system environments.

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CHAPTER I

INTRODUCTION

Background of the Problem

The search for effective methods of paying workers continues to challenge business leaders. Rewards for productive work have always been considered prime motivators for efforts and achievements. In early times, the rewards came in the form of food and survival; but with the onset of money as a medium of exchange, these rewards have come in the form of pay.

Economic motivation is not a new phenomenon; relevant theories are rooted in scientific management, and include Vroom's Expectancy Theory, Herzberg's Two-Factor Theory, Skinner's Reinforcement Theory, and Adams' Equity Theory. Additionally, there has been countless research conducted on performance-based pay, the most famous of which is the Hawthorne Studies. But the true father of money as a motivational work tool is Frederick Taylor, who popularized scientific management a century ago, and whose ideas continue to grow in popularity.

In August 1966, economic motivation took a new spin as Edward E. Lawler theorized that employees perform at higher levels when their pay is related to performance (Lawler, 1966). Since Lawler's work in 1966, extensive research has

been conducted on the importance of linking pay systems to organizational objectives. Lawler conducted further studies to demonstrate that employees perform at higher levels when pay is related to performance (Cammann & Lawler, 1973). Through empirical studies, researchers have demonstrated that many people prefer to use performance as a basis for rewarding others (Dyer, Schwab & Theriault, 1976; Fossum & Fitch, 1985). Other researchers found that the preference to have pay contingent on performance is affected by several factors, such as employee ability (Farh, Griffeth & Balkin, 1991).

With the current trend toward job-hopping for raises, it is more important than ever that employers understand how best to pay their employees for optimal satisfaction and minimal turnover. A good worker will go where he will get paid what he's worth as defined by the employee. Given this inside knowledge of what drives pay satisfaction, an employer can set up the pay system to attract the right worker for the given environment such that he will be highly motivated as well as highly productive.

While Lawler has become an icon in pay system research, Aminu Mamman took his research into a new direction when his study of Australian industry explored employees' attitudes toward some of the key criteria that usually determine pay (Mamman, 1997). His research proved conclusively for his

sampling frame that an employee's choice of pay criteria is a function of factors such as education and age. By continuing this research with American employees, this study will potentially confirm Mamman's conclusions beyond the boundaries of Australia.

Statement of the Problem

Many previous studies have considered the relationship between various pay systems and the relative impact on pay satisfaction or overall employee satisfaction. And many factors were analyzed in assessing the influence on satisfaction, including age, tenure, quality of job performance, education level, gender, skill level, training, performance rating, job responsibility, mental effort and physical effort.

Despite the overwhelming research on pay systems, few researchers have investigated employees' preferences for criteria used in these pay systems. In a recent study conducted in Australia, Aminu Mamman explored the similarities and differences in employees' attitudes toward some of the key criteria that usually determine pay (Mamman, 1997). The significance of this study is that it will continue Mamman's work by exploring his theories outside of Australia, but more specifically in the United States.

Purpose of the Research

The purpose of this study is to evaluate what factors drive employees to select a pay system that would motivate them for maximum performance and minimum turnover. There are multitudes of pay systems currently in place in both the private and public sectors. Many companies utilize more than one system to pay different management levels and different job types, but these systems are preset and do not typically consider the motivations of the employee.

This study addresses the motivating factors of a diverse sample of American workers. The sampling frame will span multiple companies and include employees in graduate and undergraduate schools as well as employees of varied age, tenure and skill groups. In testing the hypotheses which Mamman found significant, this study will expand on his results and draw conclusions about American workers that may or may not apply to Australians, thereby uncovering potential cultural differences in motivation theory.

Research Questions

The following research questions will be investigated: (1) Is there a significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems? (2) Is there a significant difference between older and younger employees in their

rating of "performance" as a criterion for pay systems? (3) Is there a significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems? (4) Is there a significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems? (5) Is there a significant difference between how respondents rank their current pay system in its use of "performance" as a criterion vs. their rating of "performance" as a preferred pay criterion?

Research Hypotheses

The hypotheses for this study were mainly derived from the two studies of Aminu Mamman, in which he assessed people's preferences for pay factors. The five hypotheses in the null and alternative forms are:

Hypothesis HO1 (null):

There is no significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems.

Hypothesis HA1 (alternate):

There is a significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems.

Hypothesis HO2 (null):

There is no significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems.

Hypothesis HA2 (alternate):

There is a significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems.

Hypothesis HO3 (null):

There is no significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems.

Hypothesis HA3 (alternate):

There is a significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems.

Hypothesis HO4 (null):

There is no significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems.

Hypothesis HA4 (alternate):

There is a significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems.

Hypothesis HO5 (null):

There is no significant difference between how respondents rank their current pay system in its use of “performance” as a criterion vs. their rating of “performance” as a preferred pay criterion.

Hypothesis HA5 (alternate):

There is a significant difference between how respondents rank their current pay system in its use of “performance” as a criterion vs. their rating of “performance” as a preferred pay criterion.

Definition of Terms

The following terms are defined for the purpose of this study:

COMPENSATION is the all-inclusive phrase embodying both the intrinsic and extrinsic rewards of employment. Compensation not only includes salary, but also bonuses and fringe benefits.

PAY is the concrete value of monetary compensation. It is synonymous with salary.

TENURE is the length of service an employee has given to his current organization and is expressed in years for the purpose of this study.

EDUCATION LEVEL comprises both the number of full years of college as well as the degrees completed. For the purpose of this study, the degrees are stated as Associates, Bachelors, Masters and Doctorate, and the number of years is computed based on the credits completed as opposed to time spent in school.

PERFORMANCE is defined in terms of employee output. It is rooted in Taylor's Scientific Management, which was based on a manufacturing environment. Since many people are in a service industry where output is not as visible, it is left to the employee's discretion to define performance, as it is usually the basis of appraisals.

SKILLS is defined as the specialized abilities an employee has that differentiate him from other employees.

MARKET FORCES is defined as the external factors that may affect one's pay, to include a shortage in the job field.

COST OF LIVING is defined as the expenses associated with living where the job is located.

JOB RESPONSIBILITIES are defined as the level of importance of one's position. This is often correlated to the degree of risk involved with decisions at that level.

Summary

The purpose of this study is to determine the relationship of employee job characteristics and personal factors against the preference for a pay system. The conceptual framework for this study is based on Mamman's (1997) research in Australia, and the core theory is rooted in Lawler's (1966) study.

This study is presented in five chapters. Chapter I, Introduction, illustrates the background of the problem, purpose of the study, statement of the problem, research questions, research hypotheses, and definitions of terms. Chapter II, Review of Literature, presents relevant literature to the pay-for-performance systems and pay satisfaction in general. Conclusive findings are presented by significant factors as well as by tested hypothesis. Chapter III, Methodology, describes the population, research

design, research hypothesis, instrument, data collection, and data analysis. Chapter IV, Analysis and Presentation of Findings, presents the statistical analysis of the data, demographics of the sample, and interpretations of the findings. Chapter V, Summary and Conclusions, includes a summary of the findings, conclusions, and recommendations for future research. Relevant references, bibliography, and appendices are also presented.

CHAPTER II

REVIEW OF LITERATURE

The review of literature related to the proposed research is divided into: (a) history of pay-for-performance, (b) motivation theories, (c) pay vs. satisfaction, (d) research studies, and (e) choice of pay systems.

History of Pay-for-Performance

The use of incentives to motivate workers is not new; the earliest recorded evidence can be found as far back as the 18th century B.C. with the Babylonian King Hammurabi. The earliest examples of piece rate plans involved paying tradesmen in food based upon their output. By the Middle Ages, incentives were bleak amidst feudalism; production workers were given no form of payment until the work was done satisfactorily, and this system discouraged any regular production or labor hours. Attempts to tie rewards to performance among the various civilizations over the last four thousand years were spontaneous and localized in nature, and were generally simple. The overwhelming tradition was that the worker must be kept at a subsistence level because the hungry worker was best. Only with the

advent of industrialization was there a rationale for tying higher rewards to greater performance (Peach & Wren, 1992).

In his classical economics book, The Wealth of Nations, Adam Smith asserted his disagreement with the traditional incentive plans: "The wages of labor are the encouragement of industry ... and where wages are high, accordingly we shall always find the workmen more active, diligent and expeditious than where they are low" (Briggs, 1969). A century later, Edward Atkinson, an American economist, noted that "the cheapest labor is the best-paid labor." When an employer pays low wages, output is low, but when workers are paid well, output tends to be high and overall output costs are lower (Atkinson, 1885).

Scientific Management

The use of money as a motivational tool in an industrial setting was popularized 100 years ago by Frederick Taylor, and has been growing in popularity in recent years. Taylor, the father of "scientific management," proposed a system in which management paid men and not positions. Two things fundamental to incentive plans are defining the standard unit of work and setting the rate of payment per unit. When rates are perceived to be haphazard, workers believe that increased productivity will result in a corresponding rate cut, thus rate setting had to

appear to be objective (Peach & Wren, 1992). Taylor's theories helped transform blue-collar and even white-collar environments to places where workers are paid for their skill or their performance. In one of his books he wrote about the concept of a large daily bonus "to motivate the workman to work fast and do what he is told to do" (Taylor, 1911). Taylor claimed that the worker wanted money most, and he argued that the worker should be paid higher wages for regularly attaining the assigned tasks and for learning to do his job according to scientific management principles (Locke, 1982a; Locke, 1982b).

The concept of paying men and not positions was designed partially to overcome soldiering, but mainly to reward men for their efforts rather than their class of work (Wren, 1994). One of the tenets of this scientific management theory is that workers will perform at a higher level in order to receive monetary rewards that are contingent upon their performance (Sundby et.al., 1996).

The principles of scientific management were based on the belief that workers were interchangeable with machines; that is, the workers had little to contribute beyond a strong back and arms. Workers' emotions seemed to have no place in human resource management. In fairness to Taylor, many factory workers in the late nineteenth century were illiterate, uneducated, and often non-English speaking; in

addition, these farmers and craftsmen were typically unaccustomed to factory settings. The wage programs set in place were designed to buy an employee's time by the hour, leaving no incentive for workers to put forth extra effort; neither skill nor performance were considered a factor in determining pay (Risher, 1997).

The Hawthorne Studies

For many years following the teachings of Frederick Taylor there was research conducted labeling pay practices as faddish, or at least minimizing their importance in motivating workers. In the 1920s, research studies began to consider human relations factors as motivators of work effort. The Hawthorne experiments were primarily directed at analyzing the effects of working conditions on employee output. What began as a basic stimulus-response test grew into a study on how employee productivity is effected by rest periods, snacks, reduced hours, altered work days, and variable compensation. Within six weeks, the subjects had their pay tied to their performance, and the resulting output went up immediately (Mayo, 1933).

One study of the Hawthorne experiments concluded that productivity was effected not only by pay but also by feelings of belonging to a group and supervisor attitudes toward the worker. Workers were more content due to the

improved working conditions resulting from considerate supervision (Roethlisberger & Dickson, 1939). The Hawthorne studies basically took Taylor's focus on technical efficiency and incorporated research relating to employee attitudes and motivation on the job. Job satisfaction and motivation research continued for the next three decades with a focus on factors other than pay.

Motivation Theories

Two-Factor Theory

Frederick Herzberg's controversial two-factor theory labeled job factors as either satisfiers or dissatisfiers. Satisfiers revolved around the actual job itself and served as motivating factors, while dissatisfiers revolved around the extrinsic or environmental aspects of the job and served as hygiene factors. While the presence of a motivating factor serves to satisfy the employee, the absence of a hygiene factor such as pay will not (Whitsett and Winslow, 1967). Conclusively, Herzberg found that pay was only a factor in that workers are negatively motivated when paid insufficiently, but he saw no correlation with positive motivation. This supports Abraham Maslow's "hierarchy of needs," which downgraded pay to the level of merely satisfying basic human needs (Lawler, 1971).

MacGregor likewise explored a two-factor theory of motivation, maintaining that pay is not the sole factor of worker motivation; instead, he claimed that many intrinsic factors such as responsibility and autonomy motivated workers in addition to pay and other extrinsic factors (MacGregor, 1967). The worker formerly portrayed as financially motivated was beginning to be seen as a complex creature influenced by many internal and external factors. This intrinsic-extrinsic approach looks at only one aspect of the behavior-reward relationship, ignoring one's perceptions and expectations of the rewards, which are critical to work motivation. It also ignores the fact that a reward will only influence behavior when it is perceived to be of value to the individual (Corbo and Kleiner, 1991).

Edward Lawler reversed the trend with his resurrection of research on performance-contingent wages as a means for inducing high productivity. While Herzberg indicated that pay ranked sixth in importance of job factors, Lawler clearly disagreed -- "It would seem that pay should, in most instances, be rated high in importance because of its assumed ability to satisfy a large variety of needs" (Lawler, 1971).

Expectancy Theory

Victor Vroom's Expectancy Theory attempts to predict the choices an individual will make when forced to choose among several tasks. The decision to put forth effort is supposedly the result of two variables: the valence, which is the perceived value of the outcomes, and the expectancy that the behavior will result in obtaining the desired outcomes (Vroom, 1964). Here expectancy is defined as a momentary belief concerning the likelihood that a particular act will be followed by a particular outcome (Eden, 1988).

This theory appears to provide a simple and convincing rationale for why pay-for-performance plans could enhance employee efforts; it predicts that employee motivation will increase under pay-for-performance plans provided five conditions are met. First, employees understand the plan performance goals and view them as reasonable; they must believe they have the necessary skill or ability to perform at the required level, or no reward will work. Second, there is a clear link between performance and pay increases such that a specified level of performance is a precondition for receiving the reward. Third, there is constant communication and follow through. Fourth, employees value the reward and view it as meaningful. And finally, the reward must be uppermost in the minds of employees

(Milkovich and Wigdor, 1991; Corbo and Kleiner, 1991; Marshall, 1998).

People tend to form judgments about how effectively they perform their jobs in part according to their sense of self-competence and self-esteem. People who think more highly of themselves may inaccurately believe that they are high performers and are likely to feel less satisfied with their pay (Motowildo, 1982).

Goal Setting Theory

As with Vroom's Expectancy Theory, Locke's Goal-Setting Theory supported the relationship of pay to performance. Accordingly, the process of setting goals is most likely to improve performance when goals are specific, agreed upon by employees, and somewhat challenging. Additionally, tying significant pay increases to goal attainment increases the likelihood that employees will meet goals. By directing employee behaviors toward organizational goals, pay-for-performance plans can improve performance.

Many research studies supported Locke's theory by finding correlation between positive beliefs about goals vs. employee achievement (Locke et.al., 1981). Further studies, such as one by Prichard and Curtis (1973) reported that pay incentives increased the likelihood of goal achievement. Once employees realize that a given level of performance

will lead to a set amount of additional pay and that marginal improvement will not be rewarded, they have an incentive to understand the goal-setting and appraisal process and to work toward meeting their goals (Sink and Sahl, 1995). When setting goals, objective performance measures have been shown to be better motivators than subjective measures, as employees assign them higher credibility and typically accept their validity (Lawler, 1995). Similarly, payouts based on beating historical averages are believed to have more motivational value than performance targets, which employees tend to view as arbitrary and subjective management gimmicks (Ledford, 1995).

Support for pay-for-performance is mainly theoretical and based on Vroom's Expectancy Theory and Locke's Goal-Setting Theory. Together these theories predict that said plans can motivate and improve employee performance under ideal conditions: (1) significant rewards can be given and tied to performance, (2) employees are informed as to how rewards are given, (3) supervisors are willing to explain and support the reward system, (4) rewards can vary depending on performance, (5) performance can be objectively and inclusively measured, (6) meaningful performance appraisal sessions can take place, and (7) high levels of

trust exist between supervisors and subordinates (Schay, 1993).

Despite the fact that several motivation theories support pay-for-performance systems, W. Edwards Deming was adamantly opposed to them insofar as they impacted total quality management (TQM). Deming believed these systems encourage individuals to meet personal goals at the expense of the organization; as a result, individual competition will flourish while the teamwork and cooperation necessary for TQM to succeed may decline (Knouse, 1995).

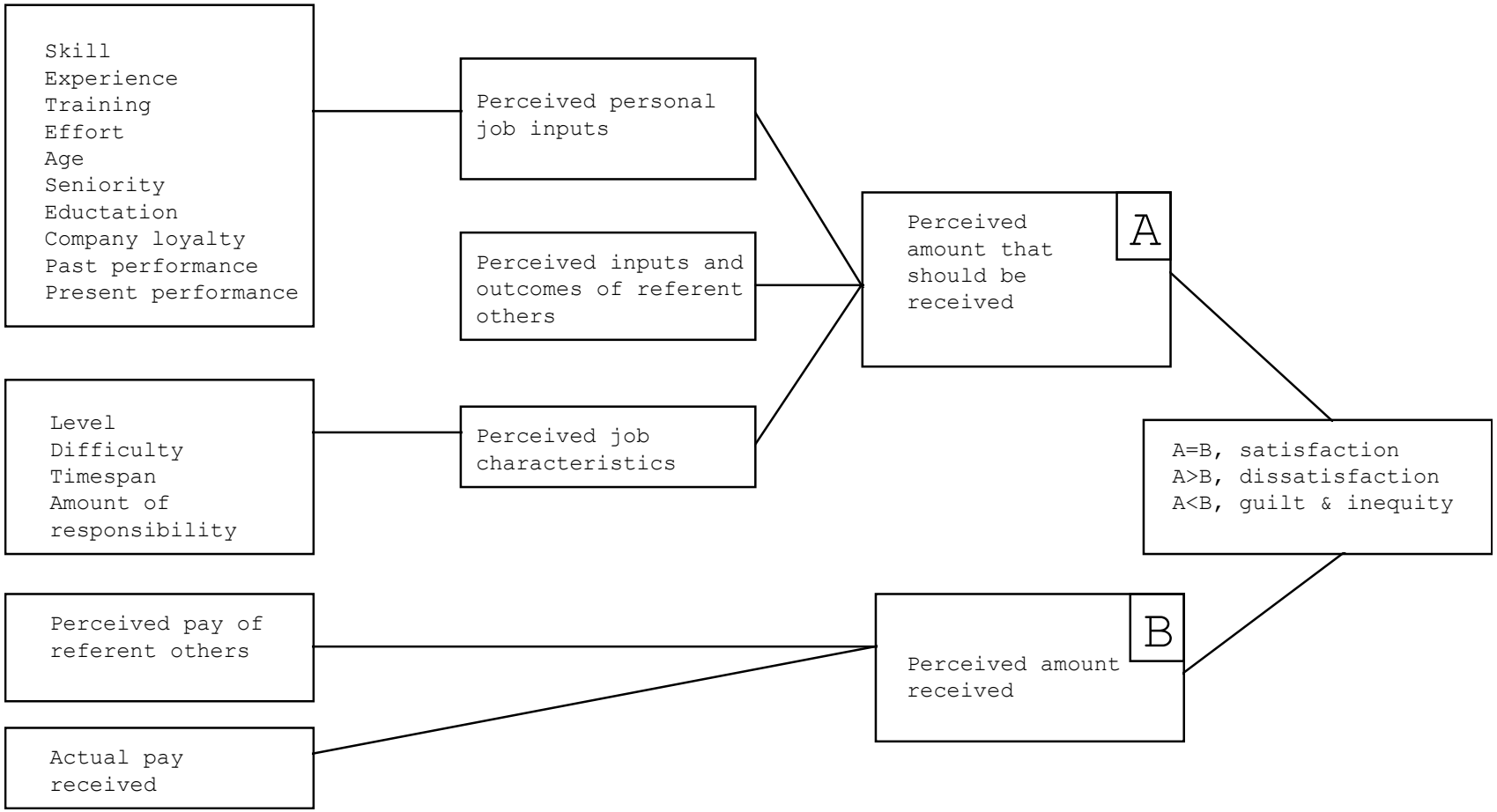
Pay vs. Satisfaction

Pay continues to be studied by both advocates and opponents of Taylor's beliefs. Managers across different industries have tried hundreds of pay plans over the years so as to find the optimal plan for inducing the greatest productivity; yet an often overlooked key element was that the success of the pay plan depends on the employee's perception of how his pay is determined. Those who saw the greatest connection between pay and performance were often found to be the best performers (Lawler, 1966). Even as late as the 1960s, researchers concluded that pay was not an effective motivator, and that it was more likely to anger workers than to increase their motivation. And while some organizations still hold this to be true, they are taking a

back seat to those who see compensation as a potentially valuable tool to influence employee performance (Risher, 1997).

With minimal existing research on pay satisfaction, Lawler created a model on rewards systems and satisfaction (see Figure 1). This model has served as a foundation for many research studies and has resulted in several iterations.

Figure 1 - Model of the Determinants of Pay Satisfaction (Lawler, 1981)



Lawler's Model

Three hypothesis can be derived from Lawler's model: (1) persons with lower salaries will be less satisfied with their pay than persons with higher salaries; (2) persons with higher perceived job inputs will be less satisfied with their pay than those with lower perceived personal job inputs; and (3) persons who perceive their jobs as more demanding will be less satisfied with their pay than those who see their jobs as less demanding (Dyer and Theriault, 1976).

There has been a great deal of research on what determines an individual's satisfaction with the rewards he receives. The research has shown that satisfaction is a complex reaction to many factors and can be summarized in four conclusions. The first conclusion is that satisfaction with a reward is a function of how much is received and how much the individual feels should be received. According to Locke (1976), people's feelings of satisfaction are determined by a comparison between what they receive and what they feel they should receive. Adams' Equity Theory supports three possible outcomes from this comparison: satisfaction, over-reward and under-reward. When an individual is under-rewarded he becomes dissatisfied and tends to lower his performance; conversely, when he is over-

rewarded, he tends to feel guilty and uncomfortable, and compensates for this inequity by increasing performance (Adams, 1965; Kahn & Sherer, 1990).

A second conclusion derived from research is that people's feelings of satisfaction are influenced by comparisons with what happens to others. People tend to compare their own situation to what others do and receive (Patchen, 1961). This benchmarking occurs inside and outside their organizations, and people draw conclusions about what they should receive. Satisfaction is determined by how favorable the comparisons are. Inputs such as skill, experience, training, effort, age, seniority, education, company loyalty, past performance and present performance are also considered by people when they assess what their pay should be. Typically, people feel their strongest factors should be weighed most heavily, thus they tend to make their comparisons based on their own favorable inputs (Lawler, 1966).

Another research-based conclusion is that people often misperceive the rewards of others. Individuals tend to underestimate the performance of others while overestimating the rewards others receive; as a result, there is a distorted perception that leads to dissatisfaction and reduced self-esteem (Lawler, 1972).

The fourth conclusion from research is that overall job satisfaction is influenced by how satisfied employees are with both the intrinsic and extrinsic rewards they receive from their jobs. This supports MacGregor's theory, and has been validated by many studies such as Quinn and Staines (1979). This means that pay will not compensate for a boring job, just as an interesting job will not make up for low pay (Lawler, 1981).

Research Studies

The law of effect states that a behavior leading to a reward will tend to be repeated. This law forms the theoretical basis for tying pay to job performance in the hope of improving productivity (Lawler, 1966). Additionally, pay satisfaction has received considerable attention by researchers and administrators. This is evidenced by the large number of studies conducted and the numerous theoretical models created. Not only has pay satisfaction been shown to be related to turnover and absenteeism (Weiner, 1980), but researchers have also identified potential determinants of pay satisfaction, including those shown in Lawler's model (see Table 1). There have also been numerous hypotheses tested relative to pay satisfaction and preferences for pay systems (see Table 2).

Table 1 - Factors Correlated to Pay Satisfaction

PAY FACTORS CORRELATED TO PAY SATISFACTION	STUDIES WHERE FOUND CONCLUSIVE
Tenure	Mamman (1990, 1997); Lawler (1966, 1971); Morse (1953); Lawler & Porter (1966); Hulin & Smith (1967); Dyer & Theriault (1976) ; Dyer, Schwab & Theriault (1976); Schwab & Wallace (1974); Finn & Lee (1972)
Education	Mamman (1990, 1997); Lawler (1966, 1971); Andrews & Henry (1963); Cantril (1943); Klein & Maher (1966); Penzer (1969); Finn & Lee (1972)
Skill & training	Mamman (1990, 1997); Lawler (1966, 1971); Goodman & Friedman (1971); Pritchard (1969); Milkovich & Campbell (1972); Dyer, Schwab & Theriault (1976); Dyer & Theriault (1976); Parent & Weber (1994); Murray & Gerhart (1998); Gupta et.al. (1986); Jenkins et.al. (1992)
Performance	Mamman (1990, 1997); Lawler (1966, 1971); Porter & Lawler (1968); Dyer & Theriault (1976); Dyer, Schwab & Theriault (1976); Arvey & Mussio (1973); Graen (1969); Hackman & Lawler (1971); Mitchell & Albright (1972); Cherrington, Reitz & Scott (1971); Reitz (1971); Weinstein & Holzbach (1973); Farr (1976); Terborg & Miller (1978); Dreher (1981); Gupta (1980)
Responsibility	Mamman (1990, 1997); Lawler (1966)
Mental effort	Mamman (1990); Lawler (1966); Dyer & Theriault (1976)

Table 1 (continued)

PAY FACTORS CORRELATED TO PAY SATISFACTION	STUDIES WHERE FOUND CONCLUSIVE
Physical effort	Mamman (1990); Lawler (1966); Dyer & Theriault (1976)
Labour market	Mamman (1990)
Cost of living	Mamman (1990, 1997); Dyer & Theriault (1976) ; Dyer, Schwab & Theriault (1976)
Job status	Mamman (1990)
Government policy	Mamman (1990)
Market rate	Mamman (1997)
Special demands on the job	Mamman (1997)
Collective bargaining	Mamman (1997)
Wage payment method (hourly vs. incentive)	Lawler (1971); Wofford (1971); Mitchell & Albright (1972); Graen (1969); Yukl, Wexley & Seymore (1972); Taylor (1911); Roethlisberger & Dickson (1939); Dalton (1948); Whyte (1955); Cherrington, Reitz & Scott (1971); Finn & Lee (1972); Pritchard, Dunnette & Jorgensen (1972)
Anticipated future earnings	Lawler (1971); Andrews & Henry (1963); Klein & Maher (1966)
Amount of pay / pay level	Lawler (1971); Lawler & Porter (1963, 1966); Porter & Lawler (1968); Locke (1969); Morse (1953); Centers & Cantril (1946); Dyer & Theriault (1976); Oliver (1977); Schwab & Wallace (1974); Heneman, Greenberger & Strasser (1988)
Nonmonetary outcomes	Lawler (1971)

Table 1 (continued)

PAY FACTORS CORRELATED TO PAY SATISFACTION	STUDIES WHERE FOUND CONCLUSIVE
Time span	Lawler (1971); Jacques (1961); Richardson (1971)
Organization level	Lawler (1971); Lawler & Porter (1963, 1966); Andrews & Henry (1963); Rosen & Weaver (1960); Porter (1961)
Gender	Lawler (1971); Hulin & Smith (1964); Morse (1953); Stockford & Kunze (1950)
Age	Lawler (1971); Morse (1953); Lawler & Porter (1966); Hulin & Smith (1967)
Quality of performance	Lawler (1966)

Table 2 - Conclusive Findings in Pay Satisfaction

HYPOTHESIS TESTED	STUDIES WHERE FOUND CONCLUSIVE
Employees prefer multiple criteria to determine their pay.	Mamman (1990, 1997); Lawler (1966); Finn & Lee (1972); Scholl, Cooper & McKenna (1987); Dorstein (1985); Heneman & Schwab (1985)
There is a significant difference between older and younger employees regarding tenure as a criterion for pay systems.	Mamman (1997)
There is a significant difference between respondents with high and low education regarding education as a criterion for pay systems.	Mamman (1997)
Preference for cost-of-living criteria varies across organizational levels.	Mamman (1997); Belcher & Atchison (1976)
Employees have a common set of preferences for criteria in pay determination.	Jacques (1963); Lawler (1971, 1981); Campbell (1984); Greene & Podsakoff (1978)
Employees paid according to the amount they produce will be more satisfied than those paid by the amount of time worked.	Lawler (1971)
Pay satisfaction increases when pay is perceived to be based upon the criteria that employees feel it should be based upon.	Lawler (1966, 1971); Nash & Carroll (1975)
Persons with low salaries will be less satisfied with their pay than those with high salaries.	Dyer & Theriault (1976)

Table 2 (continued)

HYPOTHESIS TESTED	STUDIES WHERE FOUND CONCLUSIVE
Positive relationship between pay-for-performance perceptions and pay satisfaction.	Carroll (1973); Carroll & Nash (1973); Carroll & Tosi (1973); Kopelman (1976); Miceli & Near (1987); Heneman, Greenberger & Strasser (1988); Miceli, Jung, Near & Greenberger (1991)
Amount of pay is positively associated with pay satisfaction.	Dyer & Theriault (1976); Lawler & Porter (1966); Oliver (1977); Schwab & Wallace (1974)
Pay satisfaction is negatively correlated with self-perceived training and experience.	Dyer & Theriault (1976)
Pay satisfaction is negatively correlated with tenure.	Schwab & Wallace (1974)

Choice of Pay Systems

As Thomas Mahoney (1989) summarizes in a paper, there are three bases for pay: output/performance, job and person. Person-based pay equates to skill-based pay, and is typical of technology-based organizations where tasks and outcomes vary. Job-based pay is salaried or hourly, and is typical of stable mass production environments where tasks are defined. Performance-based pay is typical of jobs involving minimal supervision but with identifiable, controllable outcomes. According to Mahoney, these approaches needn't be mutually exclusive, and are often combined in companies. Jerry Franklin (1988) agrees and suggests that linking pay to performance is not only possible but desirable in skill-based systems, especially when high salaries are an area of concern to a company.

Pay dissatisfaction and the methods used to determine pay are the chief threats to any employee loyalty. While cradle-to-grave employment is a thing of the past, Americans remain surprisingly loyal to their employers; however, they expect to be rewarded fairly. A study by Sibson & Company shows that while only 60% of American workers are satisfied with their job security, 80% are committed to their employers. The most important factor in determining employee commitment or intention to leave is not pay, but

the pay system. If employers are able to design pay systems that take into account employee preferences, concerns, commitment and performance, then retention will likely increase (LeBlanc & Mulvey, 1998).

The two factors that usually carry the most weight in determining pay by employers are the employee's title and length of service. When they are rewarded according to seniority, or when everyone receives the same annual increase, compensation is then turned into an entitlement rather than an incentive. This is contradictory to managing scientifically, and was exactly what Frederick Taylor tried to eliminate (Kerr, 1996).

While Taylor espoused the need to pay-for-performance, Heneman et.al.(1988) found it more important to focus on the worker's perception of his being paid for performance. This confirms the pay-for-performance model derived from Vroom's Expectancy Theory. Theoretically, there should be a positive relationship between pay-for-performance perceptions and pay satisfaction, and this was validated by many studies. Studies on blue-collar workers have shown that an employee's satisfaction with his pay is the result of an interaction between how he feels his pay is determined and how he feels it should be determined (Lawler, 1966).

According to Cherrington, Reitz & Scott (1971) as well as Orpen (1982), manipulating the contingencies of a reward

system can create conditions under which performance is tied to satisfaction. By testing random rewards, positively contingent rewards and negatively contingent rewards, they were able to demonstrate that positively tying performance to pay led to a positive correlation between satisfaction and performance; likewise, they found that rewarding low performers while ignoring high performers (i.e., negatively contingent rewards) resulted in a negative correlation between satisfaction and performance.

While research suggests a 10-20% increase in productivity occurs when individual incentive plans are used, there are many negative side effects of individualized pay-for-performance plans. These negative effects include restricting output due to perceptions of possible social rejection by peers and of possible layoffs due to running out of work (Farr, 1976). Lawler (1973) has shown that group incentive plans generally avoid these side effects and may do a better job of tying rewards to performance.

In Heneman's study (1988) conducted on hospital employees, he discovered a significant relationship between pay-for-performance perceptions vs. pay raise satisfaction, vs. pay level satisfaction, and vs. overall pay satisfaction. Yet, when comparing actual pay level instead of perceptions, there were no significant relationships. To the extent that performance is perceived by employees as

being instrumental to the attainment of a valued outcome such as a pay raise, then pay satisfaction should be increased.

When personnel managers from various public and private organizations were asked to rate the overall effectiveness of pay-for-performance, a majority agreed that it is an effective tool for motivating employees and increasing productivity. To better understand their attitudes toward pay-for-performance, Kellough & Selden (1997) performed a multiple regression analysis and discovered several linkages. The amount of experience a personnel manager has is negatively correlated with their attitudes toward the pay plan; this is probably a result of experienced managers being more attuned to the many problems associated with administering merit pay systems. Another interesting discovery was that respondents who have worked exclusively in the public sector were significantly more positive in their attitudes than were those with private sector experience.

In 1966, Lawler also studied pay systems in both the public and private sectors. In his study of seven organizations, three were state governments, while the other four were private companies. Each of the three government organizations had similar compensation systems with pay ranges comparable for similar jobs. Likewise, the four

private companies had compensation systems similar to each other, but different from the government organizations. In both the private company and government samples, managers' pay was significantly correlated with seniority, education level and management level. In addition, the private companies also had significant factors in the quality of job performance and the effort expended. When asked how their pay should be determined, both industry sectors had similar results except that managers in the private sector also wanted it to be based on performance; in fact, this was the first choice among managers in private companies, while ranking fourth among seven factors for government managers. Lawler's results suggest that when organizations tie pay to performance, the managers will see the connection and will operate to increase performance; the results also indicate that the concept of performance-based pay is acceptable to managers (Lawler, 1966).

Prior to Lawler's study, D.J. Hickson conducted a study (1963) in motivation for a small group of factory workers where maximum output was limited and machines often broke down. While they were supportive of being paid on performance, they opted for security and stability of earnings. In other words, they chose a time-based system with a small piecework rate to protect themselves against the mechanical frailties beyond their control. While this

did not stand as a testimonial to worker attitudes about pay in general, it did widen the theories under conditions of restricted output.

In 1976, Dyer et.al. conducted a study on managers across 43 industrial firms. When asked what factors should be used to determine pay, five factors were found to be significant (i.e., performance, nature of job, effort expended, training/experience, and cost of living). Of these factors, performance ranked the highest and was significantly higher than any other factor. Performance also ranked as the factor most used to determine pay amongst these firms. As with Lawler's study, the results indicate that managers are accepting of and prefer performance-based pay (Dyer et.al., 1976).

Lawler's work truly served as a catalyst to promote research on the effects of pay on satisfaction. Some studies focused on pay system administration (Dyer & Theriault, 1976; Lawler, 1971), others focused on the choice of pay comparisons (Goodman, 1974) or the threshold of a meaningful pay increase (Krefting & Mahoney, 1977), while a few focused on the criteria upon which recipients prefer to be paid (Dyer et.al., 1976; Mamman, 1995). Many studies have shown that while performance has had the largest impact on pay satisfaction, a number of nonperformance factors have also been an influence (Fossum & Fitch, 1985).

For three decades following Lawler's study, experts have continued to underscore the importance of linking pay systems to meeting organizational objectives. Researchers have found that employees prefer their pay to be determined first and foremost by performance, but this preference is contingent on many factors. Highly skilled employees tend to prefer performance-based pay more than low-skilled employees. Additionally, unionists tend to be less supportive of pay-for-performance. And because accurate and objective measurement of employee performance can depend on the nature of the job, it can be argued that this will also impact one's preference for the pay-for-performance system (Mamman, 1995).

In Mamman's research on employees in Australia, he found performance was overwhelmingly the most preferred criterion by which to have their pay determined. The criterion explored included performance, cost of living, tenure, educational qualification, collective bargaining, skill, market rate, responsibility and special demands. As expected, there were differences among subgroups. For example, older people ranked tenure to be significantly more important than did younger people. Likewise, highly educated people ranked education much higher than the less educated. Overall, respondents preferred having multiple criteria determine their pay, and pay preference was related

to age, occupation/position, and education level (Mamman, 1995).

The very act of voluntary choice of pay plans binds employees to their choices and results in a commitment behaviorally. In a 1983 study, C.W. Chow found that student subjects selected reward schemes based on their prior performance, even though none of the subjects were paid on performance (Chow, 1983). As many studies have shown, allowing individuals to choose their pay plans probably will increase the likelihood that they attain what is needed to get the pay.

All combined, research shows that individuals will follow Vroom's Expectancy Theory by rationally choosing among alternatives to maximize expected rewards (Vroom, 1964). And when faced with a decision to choose among different reward plans, they are expected to choose the alternative that yields maximum expected rewards or minimum expected costs (House et.al., 1974). Thus, employees with high self-perceived ability levels would be expected to prefer plans that distribute rewards based on performance, while employees with low self-perceived ability would be expected to choose time-based reward plans (Farh et.al., 1991).

CHAPTER III

METHODOLOGY

The purpose of this study was to determine the relationship of employee job characteristics and personal factors against the preference for a pay system. The conceptual framework for this study was based on Aminu Mamman's (1997) study. The data utilized in the study were collected by the investigator via written survey. This chapter describes the sampling design, research hypothesis, survey instrument, data collection and data analysis.

Design of the Sample

Workers of all types in the United States are the theoretical population. The study population are workers throughout Jacksonville, FL, a city in which the majority of residents have been transferred from other locations, and thus the population is not indicative of any specific location in the country.

The sampling frame consists of over 300 graduate students from Webster University's MBA program, over 300 students from Jacksonville University's undergraduate Weekend Studies Bachelor's Degree program, and over 8000 employees of Convergys Corporation (the largest employer in Jacksonville).

As Mamman's study utilized only 126 respondents from varied backgrounds, age groups and occupations, this study obtained a sample size of 240, with approximately 50% of them not having a bachelor's degree, as was the case of Mamman's study. In addition, 100% of the subjects responded, thus the bias of nonresponse was not introduced. The subjects were randomly selected using cluster sampling. Three classes were randomly selected from Jacksonville University's Spring 1999 schedule. Three classes were also randomly selected from Webster University's Spring 1999 schedule. And three account teams were randomly selected from Convergys Corporation. In every case, the entire class or account team were asked to complete the survey instrument immediately, thereby maximizing response rate.

Research Hypotheses

The five hypotheses in the null and alternative forms are:

Hypothesis HO1 (null):

There is no significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems.

Hypothesis HA1 (alternate):

There is a significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems.

Hypothesis HO2 (null):

There is no significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems.

Hypothesis HA2 (alternate):

There is a significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems.

Hypothesis HO3 (null):

There is no significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems.

Hypothesis HA3 (alternate):

There is a significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems.

Hypothesis HO4 (null):

There is no significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems.

Hypothesis HA4 (alternate):

There is a significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems.

Hypothesis HO5 (null):

There is no significant difference between how respondents rank their current pay system in its use of “performance” as a criterion vs. their rating of “performance” as a preferred pay criterion.

Hypothesis HA5 (alternate):

There is a significant difference between how respondents rank their current pay system in its use of “performance” as a criterion vs. their rating of “performance” as a preferred pay criterion.

Instrument

The data from this study was gathered using a two-part questionnaire. A copy of this questionnaire is included in

Appendix A. This questionnaire is the identical one used by Mamman (1997) without any need for translation.

Survey Design

The first section consists of opinion questions about how employees prefer their pay to be determined as well as information questions about how their pay is currently determined. The second section consists of background questions on demographic variables such as age, gender and education.

Completion of the survey takes approximately five to ten minutes. All pay-related statements are on a five-point scale.

Construct Validity and Reliability

As this questionnaire was successfully tested and utilized by Mamman (1997), it can be assumed to meet the requirements for construct validity. Using a pre-test sample, the reliability was found to be high, with a Cronbach Alpha of 0.85.

Research Variables

Dependent Variables

Each of the eight dependent variables are an employee's preference for having pay determined by the respective factor.

LENGTH OF SERVICE IN THE ORGANIZATION is the number of years tenure an employee has with his current organization.

YOUR JOB PERFORMANCE can be either an appraisal rating or a measured output in a manufacturing job.

EDUCATION LEVEL is the number of full years of college completed as well as the degrees completed. For the purposes of the dependent variable, an employee will define his education level relative to his position such that a Bachelor's Degree may be considered highly educated for some manual laborers.

Independent Variables

The independent variables are factual background data. They consist of age and education level.

Data Collection

Data collection was conducted by a questionnaire survey administered by the investigator. Each subject was given verbal instructions and asked to anonymously complete the

survey for immediate collection. Respondents were also informed as to the purpose of the study to minimize any bias associated with employee satisfaction surveys. Subjects who did not wish to participate in the study were asked to return the blank survey to the investigator.

Data Analysis

The data for the study was analyzed using SPSS 8.0 for Windows. The statistical techniques used for each hypothesis was as follows:

HYPOTHESIS ONE was tested using a one-factor analysis of variance. The sample was divided into three groups by age through the use of cluster sampling.

HYPOTHESIS TWO was tested using a one-factor analysis of variance. The sample was divided into three groups by age through the use of cluster sampling.

HYPOTHESIS THREE was tested using a two-tailed t-test for independent samples. The sample was divided into two groups by education level.

HYPOTHESIS FOUR was tested using a one-factor analysis of variance. The sample was divided into three groups by management level.

HYPOTHESIS FIVE was tested using a two-tailed t-test for dependent samples. The two samples consisted of the

respondent's current rating of performance and the matched preferred rating of performance.

Summary

This chapter contains the methodology for this study to determine the relationship of employee job characteristics and personal factors against the preference for a pay system. The chapter includes the sampling design, research hypothesis, survey instrument, data collection and data analysis. The sampled population was described. The survey instrument was examined. Data collection and analysis were illustrated. Chapter IV presents the results and analysis of the study.

CHAPTER IV

ANALYSIS AND PRESENTATION OF FINDINGS

This chapter reports the analysis and presentation of findings. The purpose of this study was to determine the relationship of employee job characteristics and personal factors against the preference for a pay system. The conceptual framework for this study was based on Aminu Mamman's (1997) study.

Results

Test of Hypothesis One

Hypothesis HO1 states that there is no significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems. Table 3 summarizes the results of the one-factor analysis of variance.

TABLE 3 - ANOVA (Hypothesis One)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.713	2	8.856	6.454	.002
Within Groups	325.221	237	1.372		
Total	342.933	239			

Respondents were divided into three age groups: (1) under 30, (2) 30 to 39, and (3) 40 and older. There were 56 respondents in group 1, 88 in group 2, and 96 in group 3. The One-Factor Analysis of Variance had a p-value of .002,

which is less than the established significance level of .05. As a result, the null hypothesis is rejected and it can be concluded that there is a difference in one's preference for being paid based on length of service as a function of individual ages.

Table 4 summarizes the LSD Post Hoc Test conducted on the pairs of means. The p-value for group 1 vs. group 3 was .047, and the p-value for group 2 vs. group 3 was .000. Since they are both less than .05, it can be concluded that their differences are significant. Since group 3 is significantly different from both groups 1 and 2, it can be concluded that respondents over age 40 are more inclined to prefer to be paid based on length of service as compared to those under age 40.

TABLE 4 - LSD Post Hoc Test (Hypothesis One)

			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
	(I) AGE_GRP	(J) AGE_GRP				Lower Bound	Upper Bound
LSD	1	2	.22	.200	.271	-.17	.62
	1	3	-.39	.197	.047	-.78	-4.82E-03
	2	3	-.61	.173	.000	-.95	-.27

Test of Hypothesis Two

Hypothesis HO2 states that there is no significant difference between older and younger employees in their

rating of "performance" as a criterion for pay systems. Table 5 summarizes the results of the one-factor analysis of variance.

TABLE 5 - ANOVA (Hypothesis Two)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.117	2	.058	.227	.797
Within Groups	60.883	237	.257		
Total	61.000	239			

Respondents were divided into the same age groups from Hypothesis One. The One-Factor Analysis of Variance had a p-value of .797, which is greater than the established significance level of .05. As a result, the null hypothesis is not rejected and there is insufficient evidence to conclude a difference in one's preference for being paid based on performance as a function of individual ages.

Test of Hypothesis Three

Hypothesis HO3 states that there is no significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems. Table 6 summarizes the results of the t-test for Equality of Means for independent samples.

TABLE 6 – t-Test for Equality of Means for Independent Samples (Hypothesis Three)

	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Equal variances assumed	-3.862	238	.000	-.39	.10	-.59	-.19
Equal variances not assumed	-3.870	238	.000	-.39	.10	-.59	-.19

Respondents were divided into two education groups: (1) without a bachelor's degree and (2) with a bachelor's degree. There were 124 respondents in group 1 and 116 in group 2. The t-test for Independent Samples had a p-value of .000, which is less than the established significance level of .05. As a result, the null hypothesis is rejected and it can be concluded that there is a significant difference in one's preference for being paid based on education level as a function of actual educational background.

Test of Hypothesis Four

Hypothesis HO4 states that there is no significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems. Table 7 summarizes the results of the t-test for Equality of Means for independent samples.

TABLE 7 – t-Test for Equality of Means for Independent Samples (Hypothesis Four)

	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
						Lower	Upper
Equal variances assumed	1.798	238	.073	.12	.065	-.01	.24
Equal variances not assumed	1.791	229.7	.075	.12	.065	-.01	.25

Respondents were divided into the same education groups from Hypothesis Three. The t-test for Independent Samples had a p-value of .073, which is greater than the established significance level of .05. As a result, the null hypothesis is not rejected and there is insufficient evidence to conclude a significant difference in one's preference for being paid based on performance as a function of actual educational background.

Test of Hypothesis Five

Hypothesis HO5 states that there is no significant difference between how respondents rank their current pay system in its use of "performance" as a criterion vs. their rating of "performance" as a preferred pay criterion. Table 8 summarizes the results of the t-test for paired samples.

TABLE 8 – t-test for Paired Samples (Hypothesis Five)

		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	Actual -Pref	-.98	1.11	.071	-1.12	-.84	-13.784	239	.000

All respondents were asked to rate not only their preference for being paid on performance but also the degree to which their current employer pays on performance. Each of the 240 respondents answered both questions, and so the t-test for Paired Samples was appropriately used. The resulting p-value of .000 was less than the established significance level of .05. As a result, the null hypothesis is rejected and it can be concluded that there is a significant difference in one's preference for being paid based on performance versus how one conceives the degree to which he/she is paid on performance.

CHAPTER V

SUMMARY AND CONCLUSIONS

This chapter reports the overall findings and conclusions of the study. The questions investigated in this study included the following: (1) Is there a significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems? (2) Is there a significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems? (3) Is there a significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems? (4) Is there a significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems? (5) Is there a significant difference between how respondents rank their current pay system in its use of "performance" as a criterion vs. their rating of "performance" as a preferred pay criterion?

Rewards for productive work have always been a motivator for success, as discovered by Frederick Taylor (1911). He was able to demonstrate that a system of performance-based pay encourages employees either to work harder or quit, depending on their ability to perform and

willingness for hard work. Society has evolved greatly in the last century, with employers also paying on skill-based systems, tenure-based systems, and even education-based systems. Each pay system encourages employees to maximize their potential with respect to the system or quit; thus, younger employees in a tenure-based pay system will either bide their time or seek employment where their skills are appreciated.

Despite the overwhelming research on pay systems, few researchers have investigated employees' preferences for criteria used in these pay systems. In this study, as with that of Aminu Mamman (1997), respondents were asked how they preferred to be paid. By understanding what motivates employees to high performance, a company can maximize performance and minimize turnover by either seeking employees whose motivations are in synch with the current pay system or by adapting pay systems to employee motivating factors.

Research Hypotheses

The following were the hypotheses for this study:

Hypothesis One:

There is a significant difference between older and younger employees in their rating of "length of service" as a criterion for pay systems.

Hypothesis Two:

There is a significant difference between older and younger employees in their rating of "performance" as a criterion for pay systems.

Hypothesis Three:

There is a significant difference between respondents with low and high educational qualifications in their rating of "education" as a criterion for pay systems.

Hypothesis Four:

There is a significant difference between respondents with low and high educational qualifications in their rating of "performance" as a criterion for pay systems.

Hypothesis Five:

There is a significant difference between how respondents rank their current pay system in its use of “performance” as a criterion vs. their rating of “performance” as a preferred pay criterion.

Design

The research population for this study consisted of graduate and undergraduate students as well as workers of all types in Jacksonville, FL. The survey instrument consisted of two sections. The first section consists of opinion questions about how employees prefer their pay to be determined as well as information questions about how their pay is currently determined. The second section consists of background questions on demographic variables such as age, gender and education.

A total of 240 surveys were administered by the investigator, receiving a 100% response rate. This was almost double the size of Aminu Mamman's sample of 126 respondents in his original study. The data was manually entered into SPSS 8.0 for Windows for statistical analysis.

Conclusions

The results of the t-tests and ANOVAs performed supported three of the five hypotheses. In support of Mamman's previous research, the study concluded that age is a significant determining factor in people's preference for being paid based on their length of service with an employer. This makes intuitive sense since older employees have to compete with a more technologically proficient

younger group, and yet have a consistent edge in years of experience. The most noticeable difference occurred once respondents exceeded the age of 40, an age that has historically caused psychological crises for many people.

Also consistent with Mamman's research, the study concluded that educational background is a significant determining factor in people's preference for being paid based on their education level. This also makes intuitive sense since people typically pursue higher education so they can position themselves for advancement and better job opportunities. Education is a costly investment in both time and money, and people generally want to get a return for their investment in terms of salary and job responsibilities.

A third finding was that there is a significant difference in people's perception of their being paid on performance versus their desire for such a pay system. This illustrates the inconsistency between what people feel they deserve for their efforts versus what they actually receive in terms of pay. Interestingly, the hypothesis that people of different age groups differ in their preferences for a performance-based pay system was found inconclusive at the .05 significance level. Likewise, the hypothesis that people of different education levels differ in their

preferences for a performance-based pay system was also found inconclusive at the .05 significance level.

There are no indications that a specific sector of people prefers pay-for-performance systems, but people want to be rewarded for their hard work. And people also want to be paid for their greatest competitive advantages, whether it be their experience or education. If employers considered this further, there would probably be less focus on dealing with turnover and more focus on creating a high-performing organization.

Suggestions for Further Research

The results of this study suggest that Americans in service industries mirror the Australians in attitude toward employee pay systems. As Jacksonville lacks manufacturing environments, which was the cornerstone of Taylor's studies, it would appear useful to determine if these results are unique to service industry employees. Manufacturing environments are better able to track employee production than most service environments, and so pay systems may differ significantly.

Additionally, with the increase in corporate buyouts and severance packages, it would be interesting to study the preferences of recently separated employees, drawing a

comparison between the pay system they left and the one they seek.

APPENDIX A

PAY CRITERION SURVEY

Circle your best response to each of the following:

	How important is each factor in determining your current salary?					**How important do you think each factor should be in determining your salary?**				
	low				*high*	*low*				*high*
Length of service in the organization	1	2	3	4	5	1	2	3	4	5
The skills you possess	1	2	3	4	5	1	2	3	4	5
Market forces	1	2	3	4	5	1	2	3	4	5
Your job performance	1	2	3	4	5	1	2	3	4	5
The cost of living	1	2	3	4	5	1	2	3	4	5
Your job responsibilities	1	2	3	4	5	1	2	3	4	5
The inconveniences in your job	1	2	3	4	5	1	2	3	4	5
Education level	1	2	3	4	5	1	2	3	4	5

Answer the following background questions:

1. What is your age? _____
2. What is your gender? (male / female)
3. Are you currently attending college? (yes / no)
4. What degrees have you completed? *circle all that apply* (Associates / Bachelors / Masters / Doctorate)
5. How many years have you been with your current organization? _____
6. What is your management level in your organization? (Non-mgt / lower mgt / middle mgt / upper mgt / self-employed / unemployed)

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