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Pay Equity and Satisfaction: The Effects of Underpayment and Aspirations with a Review and Implications for Managers

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PAY EQUITY AND SATISFACTION: THE EFFECTS OF UNDERPAYMENT AND ASPIRATIONS WITH A REVIEW AND IMPLICATIONS FOR MANAGERS

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ABSTRACT

The highest level of satisfaction is thought to be associated with pay equity, while pay inequity, specifically underpayment, results in lower levels of satisfaction and negative outcomes such as increased absences and turnover. Determining whether an employee's pay is equitable is difficulty for both managers and researchers. This paper will investigate one method of making this determination and whether pay equity is represented by a pay range. Also investigated is whether an equitably paid employee and an underpaid employee differ as to their satisfaction and aspirations for changes in pay. The results of this study should be of interest to both the manager and researcher.

INTRODUCTION

Pay level is a necessary but not sufficient factor in determining pay satisfaction (Heneman, Porter, Greenberger and Strasser, 1997). A meta-analysis of the antecedents of pay satisfaction suggests that its determinant is pay equity (Williams, McDaniel, and Nguyen, 2006). An evaluation of pay equity can be made by one or more comparisons such as: a person's pay compared to pay his/her pay history; to the pay of a reference group; or the person's pay expectations (Blau, 1994; Bygren, 2004**)**. Whether limited to a single comparison or expanded to include multiple comparisons, such comparisons can provide a robust explanation of pay satisfaction (Carr, McLoghlin, Hodgson, & MacLachlan, 1996; Dittrich & Carrell, 1979; Hochwarter, Stepina, & Perrewe, 1996; Klein, 1973; Ordonez, Connolly, and Coughlan, 2000; Telly, French, & Scott, 1971; Weiner, 1980).

A number of possible methods can be used to determine overall equity; however, equity theory (Adams, 1963) has served to guide much of the reported research during the past 35 years (Williams, et al., 2006). Equity theory (Adams, 1963) provides a behavioral approach based on comparisons of "person's" inputs and outcomes to "relative other's" inputs and outcomes. The value of the theory as a research model remains in question because of two limitations. First, a proper identification of the relative other (e.g., internal or external; individual or group; same or different industry, etc.) remains an open question (Bygen, 2004**;** Shore, Tashchian, & Jourdan, 2006). Second, "…while equity theory purports to be a motivational theory that predicts behavior, it does not specify which of an array of behavioral and attitudinal responses an individual might choose in resolving inequity" (Scholl, Cooper, and McKenna, 1987).

The two deficiencies associated with Adams's (1963) motivational model are avoided by a compensation model developed by Jaques (1961). The theory is based on a single comparison of the employee's pay with the shared norm for fair pay in a work group. The attitudinal and behavioral consequences of this comparison are specified in the theory based on the type and level of pay equity/inequity. While the determination of pay equity appears straightforward, it is, as discussed below, a critical step in the assessment of overall equity. Overall equity is evaluated by comparing the relation among the three variables that define the theory (Jaques, 1961). The variables are: time-span of discretion (Work or W); time-span of capacity (Capacity or C); and pay (Pay or P). The various P:W:C relations (see Appendix A) provide thirteen possible comparisons. Only one comparison is defined as equity (i.e., C=W=P).

Time-span of discretion, (W), is described as "…the time period during which marginally substandard discretion could be exercised…" (p. 99). In its simplest form, Work can be measured by an evaluation of job categories and titles. As such, Work can be considered as a single compensation factor (Henderson, 2000).

"The capacity of individuals to carry responsibility by exercising discretion on their own account..." (Jaques, 1961, pp. 186-187) defines the second variable, time-span of capacity (C). Capacity is the variable with the least measurement precision but, as noted by Jaques (1961, p. 209-214), an employee's self-assessment should be reasonably accurate. This is especially true since it is assumed that Capacity is a dynamic or growth variable which reflects the individual's increased skills.

The third variable, Pay (P), is the simplest of the three variables. It is inclusive and includes direct monetary payments plus fringe benefits and subsidies. No consideration is provided for societal demands (e.g. taxes, etc.), thus, gross reported pay would be the appropriate measure and can be viewed as pay level. However, pay level is only one part of the determination of Pay.

Jaques (1961) suggests, that for all work and in all labor markets there is a pay norm, that is, "…an unrecognized system of norms of fair payment for any given level of work, unconscious knowledge of these norms being shared among the population engaged in employment work" (p. 124). A comparison between the pay received (PR) and the pay norm (PN) yields a "felt-fair differential payment" (Jaques, 1961, p. 124). This comparison can result in pay equity (PR=PN), overpayment (PR>PN), or underpayment (PR<PN). Both underpayment and overpayment will result in an overall comparison of inequity when C=W. That is, C=W>P (underpayment) or C=W<P (overpayment).

The focus of the present paper is pay inequity, specifically underpayment (PR<PN). It is discussed here under the assumption that the employee is assigned work (W) consistent with his/her capacity (C) (i.e., C=W). When C=W, an overall inequity assessment (C=W>P) will result when PR<PN.

It might be assumed that any deviation from PR=PN would result in feelings of pay inequity; however, Jaques (1961) recognizes minor variations will not cause such feelings. For instance, if the felt-fair deviation (PR:PN) is within ±3% (PR±3%PN), employees will exhibit no feelings of pay inequity. Feelings of underpayment begin to appear when the felt-fair deviation is 5% below the pay norm. This level of pay inequity will causes the employee to believe and voice opinions that he/she is underpaid (Jaques, 1961, pp 132-133).

If the felt-fair deviation approaches 10% below the pay norm, the employee is convinced that he/she is underpaid and begins to speak frankly to his/her supervisor regarding the perceived underpayment. A felt-fair deviation between 10% and 15% below the pay norm results in the employee investigating other employment opportunities within his/her field. The likelihood of the employee changing jobs increases as the felt-fair deviation approaches 20% below the pay norm (Jaques, 1961, pp 132-133).

An underlying tenet of the theory is that overall equity (C=W=P) and the requisite pay equity (PR±3%PN) will produce the highest level of satisfaction, psychological well-being, and performance (Jaques, 1961). Consequently, except for overpayment (C=W<P) overall equity (p. 220) is posited to be the employee's goal (Jaques, 1961). Because overpayment (C=W<P) is posited to stimulate personal greed and a desire for continued inequity (Jaques, 1961, p. 220), it will not be discussed in this paper.

Accepting certain limitations, much of the motivation literature assumes a positive correlation between pay and satisfaction (Miner, 2002). The results of research reported by Frey and Stutzer (1999) and Easterlin (2001), however, suggest that as income increases, satisfaction tends to remain rather stable. Easterlin (2001) suggests that the reason satisfaction does not increase with greater income is that individuals' expectations (aspirations) tend to have a dampening effect on satisfaction. That is, as an individual's income increase, aspirations increase proportionally, which causes the individual to exhibit a lower satisfaction level then would be predicted.

Neither Frey and Stutzer (1999) or Easterlin (2001) provide information helpful in understanding how aspirations might be influenced by an anticipated increase in pay associated with a promotion. Frey and Stutzer (1999) do suggest that individuals seek higher pay to compensate for increased levels of inflation, which appears consistent with Jaques' (1961) position that employees always seek pay equity.

Information useful in understanding aspirations under different conditions is provided by goal-setting Theory (e.g**.** Locke and Latham, 1990; Bartol and Locke, 2000), which suggests that individuals set multiple goals (aspirations) that range from simply avoiding failure through realistic, to dream goals. Since goal selection is based on context, an employee's aspirations may be consistent with pay equity (i.e., a realistic goal) when referenced to his/her current job. When considering an imminent promotion the employee's aspiration may, however, be based on dream goals. These aspirations would tend to exceed equity and approach levels of overpayment.

The previous discussion raises a number of questions. These questions can be summarized as follows.

When the employee's Capacity and Work are equal:

- Is the underpaid employee less satisfied than the equitably paid employee?
- Does the equitably paid employee exhibit maximum levels of satisfaction?
- Do both underpaid and equitably paid employees seek pay equity?
- When considering a promotion, do underpaid and equitably paid employees seek pay equity in the new position?

These questions will be the focus of the research reported below.

Research Questions

Jaques (1961) suggests that the equitably paid employee will exhibit high levels of pay satisfaction, while the underpaid employee will display pay dissatisfaction. On the other hand, Easterlin (2001) indicates that the equitably paid employee will exhibit only a mild level of pay satisfaction. Thus:

> RQ_1 Will respondents evaluate the satisfaction of an underpaid (PR<PN) employee different from that of an equitable paid (PR=PN) employee?

Jacques' (1961) asserts that employees will with, as noted earlier, the exception of an overpaid situation, seek pay equity. However, Easterlin (2001) suggests that pay aspirations may increase with pay level. Consequently, the pay level of the equitably paid employee may cause him/her to aspire to higher pay than the underpaid employee.

> RQ_2 Will respondents evaluate the pay aspirations the same for the equitably paid and underpaid employee?

An extension of this question is based on Jaques' (1961) assertion that employees will consider pay that falls within ±3% of the pay norm to be pay equity. As a result:

> RQ_{2a} Do respondents' evaluation of the pay aspirations of an underpaid employee and an equitably paid employee fall within ±3% of the pay norm?

With the exception of overpayment, Jaques' (1961) suggests that employees will seek pay equity (PR ± 3%PN). If, however, context (e.g., prospects of a promotion) causes the employee to increase his/her goal focus (e.g. Locke and Latham, 1990; Bartol and Locke, 2000), the individual may increase his/her aspirations (i.e., choose his/her dream goal rather than a realistic goal).

> RQ_3 When considering a promotion, will respondents' evaluation of the pay aspirations of an underpaid employee and an equitably paid employee be the same?

Again, consistent with Jaques' (1961) concept of equity (PR±3%PN), employees, regardless of their pay equity situation, will seek equitable pay.

> RQ_{3a}: Regardless of an anticipated promotion, will respondents evaluate the aspirations of an underpaid employee and an equitably paid employee to be within ±3% of that received by their new peers (i.e., the new pay norm).

METHOD

Two situational descriptions, underpaid and equitably paid, and three identical questions for each situation are shown in Appendices C and D. As part of study of pay equity, a questionnaire, that included the information and questions shown in Appendices B, C, and D, was distributed in a MBA class at a regional state-supported university. The sample (N=105) consisted of 43 females and 62 males. Average age for the respondents was 26 years. Eighty-seven respondents reported work experience with an average of 5.75 years.

The class in which the questionnaire was distributed is a breadth course offered during the "second" year of the MBA program. While the study took place prior to the introduction of equity theory in this class, this topic in various forms (e.g., fairness, distributive justice, etc.) would have been covered either in the student's undergraduate program or in a core class during the "first" year MBA program. Consequently, as evidenced by the instructions (Appendix B) and situational descriptions (Appendices C and D), no effort was made to disguise the purpose of the study.

The instructions (Appendix B), reinforced by similar information in the situational descriptions (Appendices C and D) , provided information that Capacity and Work are equal (C=W) for all employees assigned to the each team. Similarly, respondents were informed by the instructions and pay information that all employees were paid at the same pay level, which is defined here as the Pay Norm. The information provided information would, according to Jaques (1961), represent overall equity (C=W=P, where P is defined as PR=PN).

Two situations were described in separate parts of the questionnaire. In both situations co-workers were described as equal in performance, qualification, and quality of output. One situation described an equity situation where the employee in question received pay equal to that of his/her co-workers (PR=PN). A second part of the questionnaire described the employee in question as receiving pay that was 10% less than his/her co-workers. This level of underpayment was selected because at PR10%< PN, Jaques (1961) suggests there is no ambiguity, in the employee's mind, as to the underpayment. The two employees in question were identified only by a number so as to reduce the influence of exogenous variables.

The first question asked respondents to evaluate the pay satisfaction of the underpaid employee and, later, to similarly rate the pay satisfaction of the equitably paid employee. Respondents were asked in the second question to record their opinion of the separate employee's pay aspirations while in their present position. Pay aspirations of each of the two described employees were also requested by the third question based on the employee's hope for future promotion. No gender, age, or work experience effects ($p \leq .05$) were observed for the six questions.

RESULTS AND DISCUSSION

The means and standard deviations for the six questions are shown in Table 1. Paired t-tests were used to evaluate the data and the results are shown in Table 2.

TABLE 1
Means and Standard Deviations of Satisfaction and Aspirations Questions Under Conditions of Equitable and Underpayment

	Condition			
	PR=PN		PR<PN	
Measure	*M*	*S.D.*	*M*	*S.D.*
Satisfaction	.53	2.13	-3.09	2.20
Aspirations for pay in present job	4.57	5.91	2.80	7.64
Aspirations for pay accompanying a promotion	6.60	7.16	6.11	8.82

In Table 1 it can be seen that respondents' evaluated the underpaid employee to be dissatisfied (-3.09 on dissatisfied scale, Appendix D) and the employee who is equitably paid as minimally satisfied (.53 on satisfied scale, Appendix C). Thus for RQ_1, respondents recorded different levels of pay satisfaction for the equitably and underpaid employee. Using paired t-test to compare the two values (-3.09 to .53), the difference is statistical significant ($p \leq .000$). These results for the underpaid employee provide support for Jaques' (1961) theory, but the extremely low satisfaction value reported for the equitably paid employee (.53), is inconsistent with Jaques' (1961) position that equity will result in a higher level of satisfaction.

TABLE 2
Paired Comparisons for Satisfaction and Aspirations Questions Under Conditions of Equitable and Underpayment

Measure	*d.f.*	t-ratio	Significance
Satisfaction	104	-12.88	.000
Aspirations for pay present job	104	-2.05	.043
Aspirations for pay accompanying a promotion	104	-.59	.707

The lower level of satisfaction for the equitably paid employee is, however, consistent with Easterlin's (2001) contention that increased levels of income are or not associated with increased levels of satisfaction. This pay satisfaction level (.53) must be considered as neutral and, as a result, also appear consistent with Herzberg's (1976) contention that pay can only prevent dissatisfaction.

Respondents evaluated the pay aspirations (PA) of the underpaid employee at 2.8% more than the pay norm (PA2.8%>PN) and the pay aspirations of the equitably paid employee were evaluated at 4.57% more than the pay norm (PA4.57%>PN). Thus, the answer to RQ_2 is that respondents did not evaluate the pay aspirations of the underpaid and equitably paid employee as being the same. The difference between the aspirations of the equitably paid employee and underpaid employee is sufficiently large that a statistically comparison of the two values (4.57%:2.8%) by paired t-tests, Table 2, shows the difference is significantly different ($p \leq .043$).

These results require a partial affirmative response to RQ_{2a} because respondents' evaluation of the underpaid employee's pay aspiration (PA2.8%>PN) falls within the equity range (PR3%±PN) suggested by Jaques (1961), but pay aspirations for the equitably paid employee (PA4.57%>PN) exceeds this pay equity range. The results for the equitably paid employee are, again, consistent with Easterlin's (2001) position that increased pay is associated with increased aspirations.

A positive response is required for RQ_3, because respondents' evaluated the pay aspirations of both the underpaid (PA=6.11) and equitably paid employee (PA=6.60) at approximately the same level. That the values are similar is confirmed by paired t-tests (Table 2), which shows there is no statistically difference between the two aspiration levels.

The magnitude of the two values is, however, inconsistent with Jaques' (1961) position that employees always seek equity (PR±3%PN). In fact, in responding to RQ_{3a}, the pay aspirations of both the equitably (PA6.6%>PN) and underpaid (PA6.11%>PN) employee exceeds the equity range (PR±3%PN) suggested by Jaques (1961). These higher values may be explained, however, if the thought of a promotion is viewed as a stimuli for the employee to change from a realistic to a dream goal (e.g. Locke and Latham, 1990; Bartol and Locke, 2000).

The above results provide valuable information to both the researcher and the practicing manager. This information is presented below as in separate sections.

CONCLUSIONS AND FUTURE DIRECTION FOR THE RESEACHER

Jaques' (1961) compensation theory provides a direct method of determining pay equity and an explicit set of attitudinal and behavioral responses to pay inequity. As discussed in the Introduction, however, other factors such as aspirations (Easterlin, 2001) theory and goal-setting theory (Locke and Latham, 1990; Bartol and Locke, 2000) may provide information necessary for a more complete understanding of equity.

The results of this study provide limited support for Jaques' (1961) theory. While this lack of support may be the result of an inadequate or flawed theory, it is reasonable to consider alternative explanations for the lack of support. For instance, data analysis related to the investigation of $RQ2_a$, RQ_3, and RQ_{3a} are inconsistent with Jaques' (1961) theory because the results exceed the equity range (PR±3%PN); thus, it seems appropriate to consider an increase in this equity range.

Justification for such an increase may logically be found in economic, societal or cultural changes that have occurred during the almost 50 years since the introduction of the theory. That is, the ±3% range may have been adequate during the 1960s in England, but not in the compensation environment current observed in the United States. In addition, but on a more theoretical level, an increase in the range may be justified by considering the influence of Easterlin's (2001) concept of aspirations. That is, an employee's higher earnings serve to suppress feelings of satisfaction that leads to higher aspirations for increased earnings.

Analysis results for RQ_1 suggest that a range of ±5%PN might be reasonable. The results for RQ_{3a} suggest a larger increase to approximately ±7%PN, but this larger range is in response to the potential for a promotion. Also, based on goal-setting theory (Locke and Latham, 1990; Bartol and Locke, 2000), the higher aspirations may be the result of respondents changing from a realistic or equity goal to a dream goal. A larger increase in the range seems justified only when the employee may be anticipating a substantial change in responsibility and authority.

It should be noted that aspirations (Easterlin, 2001) may also provide an explanation for the results associated with $RQ_{2.}$ However, an equally plausible explanation can be based on goal-setting theory (Locke and Latham, 1990; Bartol and Locke, 2000). For instance, respondents may have used realistic goals to evaluate the aspirations of the equitably paid employee. However, because the underpaid employee may have been judged by respondents to be receiving a "failure" pay level they may have set aspirations comparable to an avoid failure goal.

Partial support for Jaques (1961) theory is provided by analysis results associated with the underpaid employee in RQ_1. While Jaques (1961) posits the highest level of satisfaction for the equitably paid employee, this employee was judged to be only marginally satisfied. Together with Easterlin's (2001) aspiration theory, another possible explanation, noted previously, is that pay unrelated to production can only prevent dissatisfaction and cannot cause satisfaction (Herzberg, 1976).

Future Research

Overall, it is reasonable to conclude that Jaques' (1961) theory is basically sound, but benefits from the inclusion of aspirations (Easterlin, 2001), goal-setting theory (Locke and Latham, 1990; Bartol and Locke, 2000), and, possibly, Herzberg' (1976) motivation-hygiene theory. To increase the value of Jaques' (1961) theory a number of questions deserve attention. Among these questions, it seems the most important are:

- To what extent does the theory need revision to reflect economic, cultural and societal changes?

- Does underpayment, equitable payment, or anticipation of a promotion serve as a situational variable(s) in determining aspirations (Easterlin, 2001) and the choice of a goal (Locke and Latham, 1990; Bartol and Locke, 2000)?
- What is the equity pay range?
- Is the equity range symmetrical?
- To what extent are an employee's pay satisfaction and aspirations influenced by a pay situation that is both equitable and equal.

Answers to these questions have the potential to provide researchers and practitioners with a useful tool in determining pay equity. Further research may also determine the validity of the attitudinal and behavioral outcomes suggested by Jaques (1961).

LIMITATIONS

It is necessary to identify three limitations. The first limitation is the use of single items of measurement. While this limitation is associated with the respective theories, nevertheless, the lack of multiple items prevents computation of reliability estimates. The second limitation is directed at the response scale used to evaluate the employee's aspirations. The measurement unit, 5%, appears to be too large and may obscure smaller, but meaningful, differences. The third limitation is that the lack of an explanation for the underpayment situation may have caused some respondents to conclude that the employee was at fault, leading some respondents to make a fundamental attribution error.

REVIEW AND IMPLICATIONS FOR MANAGERS

It can be concluded from the literature cited in this paper that the goal of a good compensation system is to correctly reward employees for their contributions to the organization. The most difficult problem for a manager, however, is to determine the definition of "correct." From the larger view, a company might simply use their pay strategy (e.g., lead, meet, or lag the market), and the resulting pay level, as an appropriate measurement of "correct." Often such firms ignore, except for larger measures such as turnover, the attitudinal and behavioral impact of the compensation system on the employee.

The employee, however, may evaluate his/her pay simply on the basis of pay equity. When the employee's pay is viewed as inequitable (defined here as underpayment), the employee experiences some level of pay dissatisfaction. As noted in the paper, an employee experiencing pay dissatisfaction may exhibit a lower level of performance or be absent more often than an employee who is experiencing pay satisfaction and, in the extreme, the employee may choose to leave the firm. The goal of this study was to investigate the impact of an employee's comparison of his/her pay compared to that received by co-workers on the employee's pay satisfaction. It is assumed that while many companies adopt a "secret" pay level system, most employees have sufficient "informal" pay knowledge to make such comparisons.

Information was also collected that evaluated the employee's pay aspirations in his/her present job and in contemplation of a promotion. This aspiration information is important because, as noted in the paper, it is assumed that aspirations have a depressing effect on pay satisfaction. That is, as an employee's pay increases, his/her aspirations for increased pay tend to increase, thus, preventing his/her pay satisfaction from increasing to expected levels.

The study collected information from MBA students who were near the end of their studies and who are now or will shortly become managers. Over 80% of these students have work experience with an average of almost six years experience. Respondents were asked to evaluate the feelings of equity for an employee whose pay (Pay received or PR) was equitable and those of an employee who was underpaid by 10% of the pay norm, where pay norm (PN) is the pay received by equally qualified co-workers doing the same job. The level of underpayment was selected because the theory that guided this research posits that when PR10%<PN, the employee will have no doubts that he/she is underpaid.

The questions asked of respondents are similar to those a manager might ask as he/she attempts to determine, without data collection, the impact of pay level on an employee's attitudes. For instance a manager reviewing the pay of a roster of employees assigned to the same job who have similar skills and production levels, upon noting that one employee is underpaid might ask: "Is the underpaid employee dissatisfied with his/her pay?" Assuming the employee is aware that he/she is underpaid and considering the value of the employee, the manager might ask: "I wonder how much additional the employee would require to reduce his/her dissatisfaction?" A third question is similar to one the manager might ask when considering a promotion for one of his/her employees. That is: "I wonder how large a pay increase the employee expects with the promotion?" The last two questions attempt to evaluate the employee's aspirations regarding increased pay.

Findings from investigating the dissatisfaction question:

- The underpaid employee was thought to be dissatisfied with his/her pay.
- The equitably paid employee was thought to be only marginally satisfied with his/her pay.

As with most investigations of pay satisfaction, the results of the study are mixed with some surprising results. Not unexpectedly, respondents believed that the underpaid employee was less satisfied than the equitably paid employee. Surprisingly, evaluations by the respondents showed that the equitably paid employee was barely satisfied, which may suggest that respondents thought the employee's aspirations for higher pay may diminish pay satisfaction. A second possible explanation is that pay simply prevents dissatisfaction and has little impact on satisfaction.

The theory that guided this research suggests that all employees seek equitable pay, but equitable pay is not based on exactly the same pay level. Rather, pay equity is represented by a pay range. Equity is, therefore, defined by PR±3%PN and it would be thought that, regardless of the employee's circumstances, all employees would seek or have aspirations for pay within this equity range.

Findings from the two aspiration questions:

- The underpaid employee was thought to aspire to pay 2.8% more than the pay norm, while the aspirations of the equitably paid employee were judged to be 4.57% more than the pay norm.
- When considering a promotion, the aspirations of both the underpaid and equitably paid employee (Underpaid=6.11% >PN and Equitably paid=6.60%>PN) were evaluated to be approximately equal.

While there was some support for this equity pay range (PR±3%PN), the underpaid employee (2.8%), the equitably paid employee aspirations for pay (APR) were APR4.57%>PN, which is outside the equity range. This may suggest that the underpaid employee continues to focus on realistic goals, but the equitably paid employee has moved to a "dream" goal.

Both the underpaid and equitably paid employee aspired for approximately the same level of pay when considering a promotion. As noted above, the anticipation of a promotion may cause employees, regardless of their pay level, to change their focus from more realistic goals to "dream" goals.

Based on the results of this study, a manager be concerned that:

- Employees receiving an equitable payment may not exhibit high levels of pay satisfaction, but will aspire to a pay level greater than the pay norm.
- Employees who are underpaid will be dissatisfied with their pay level, and will desire a pay level that exceeds the pay norm.
- When considering a promotion, both the underpaid and equitably paid employee will seek a pay level greater than the pay norm.

In evaluating a pay system, the above information suggest the following:

- To avoid pay dissatisfaction and the potential for increased turnover, set a goal for the compensation system of pay equity. However, don't expect exceptional high levels of pay satisfaction.
- Do not hesitate to discuss pay norms.
- When discussing a promotion with an employee, understand that their aspirations for a pay increase may be unrealistic. As a result, these discussions should convey a realistic idea of the new pay level.

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APPENDIX A

Thirteen Possible Work/Capacity/Pay Relations (Jaques, 1961, p. 218)

P=W=C	P>W>C	P=C<W	P>C>W	P=W<C
P>W=C	P=W>C	P<C<W	P=C>W	P<W<C
P<W=C	P<W>C	P>W<C		

APPENDIX B
Questionnaire Instructions

Pay Satisfaction and Aspirations

In the following questionnaire you will be asked to evaluate an employee's **satisfaction with pay** and the same employee's **aspirations for changes in pay**. There are no correct or incorrect answers to the questions.

Pay satisfaction can be defined as the employee's feelings regarding the level of pay that one should receive for the job **compared** to the level of pay received.

Aspirations can be defined as a person's wishes, hopes, or desires. Two types of aspirations will be addressed in the questionnaire. They are:

> An employee's aspirations regarding pay in the person's present job.
>
> An employee's aspirations regarding the potential for future pay changes related to a change to a job which has greater authority and responsibility.

The following describe the environment in which the employees work.

> All employees are equally qualified, have the same job title, and perform the same tasks.
>
> All employees are assigned to work teams and there is little, if any formal or informal interaction among the teams.
>
> The performance and quality of output of the employees is about the same.
>
> Each team member knows the pay of the other employees assigned to the same team.

APPENDIX C
Questions and Mean Responses for Equitable Payment

In the following questions you will be asked to evaluate the Pay Satisfaction and Aspirations of **Employee Thirty**, who is assigned to Work Team Ten. In responding to the questions, please remember that qualifications, performance, and quality of output of all employees assigned to Team Four are, for all practical purposes, the same.

The pay **Employee Thirty** receives is the same as the pay of the other employees.

By circling a number on the scale below, please evaluate this employee's (Employee Thirty) level of Pay Satisfaction.

(.53)

5 4 3 2 1 0 1 2 3 4 5

Satisfied   Neither   Dissatisfied
Satisfied nor Dissatisfied

By circling a number on the scale below, please evaluate Employee Thirty's pay aspiration in the present job.

(4.57)

More than fellow workers >15% 15% 10% 5% 0 5% 10% 15% >15% Less than fellow workers
Equal to fellow workers

Employee Thirty hopes to receive a promotion to a senior position with greater authority and responsibility. Please circle the number on the following scale that you think represents Employee Twelve's pay aspiration in that senior position as compared to colleagues in similar senior positions.

(6.60)

More than fellow workers >15% 15% 10% 5% 0 5% 10% 15% >15% Less than fellow workers
Equal to fellow workers

APPENDIX D
Questions and Mean Responses for Underpayment

In the following questions you will be asked to evaluate the Pay Satisfaction and Aspirations of Employee One, who is assigned to Work Team Four. In responding to the questions, please remember that qualifications, performance, and quality of output of all employees assigned to Team Four are, for all practical purposes, the same.

The pay **Employee One** receives is 10% lower than the pay of the other employees.

By circling a number on the scale below, please evaluate this employee's (Employee One) level of <u>Pay Satisfaction.</u>

(-3.09) ↓

5 4 3 2 1 0 1 2 3 4 5

Satisfied | Neither Satisfied nor Dissatisfied | Dissatisfied

By circling a number on the scale below, please evaluate Employee One's <u>pay aspiration</u> (wish, hope, desire) in the <u>present job</u>.

(2.80) ↓

More than fellow workers | >15% | 15% | 10% | 5% | 0 (Equal to fellow workers) | 5% | 10% | 15% | >15% | Less than fellow workers

Employee One hopes to obtain a promotion to a senior position with greater authority and responsibility. Please circle the number on the following scale that you think represents Employee One's pay aspiration in that senior position.

(6.11) ↓

More than fellow workers | >15% | 15% | 10% | 5% | 0 (Equal to fellow workers) | 5% | 10% | 15% | >15% | Less than fellow workers