

## Chapter 4

### Pay

The motive was a pretty familiar one – money. You know, there’s nothing much worse in life than people doing the same job and getting paid at different rates. It happens in every office, in every profession in the land. Anger ... jealousy ... bitterness ... usually controllable but potentially dynamite.

*Source:* C. Dexter, 1999, p. 274.

In the previous chapter, we examined the social costs, at work, of individual achievement. One of the major ways in which work achievement is recognized is through enhanced pay relative to others, i.e., through pay diversity. This diversity is sponsored by globalization in a number of ways. Key drivers of pay diversity include the individualization of work discussed in Chapter 1 (this volume); the culture of individuality and individualism that accompanies this change (Chapter 2, this volume); and a “performance” management, of “achievement,” that the latter has spawned (Chapter 3, this volume). It should also be noted that pay diversity is not just found between individuals, it is also found between groups. Examples of this inter-group diversity in pay include enterprise bargains; and international assignments, where the assignees are paid from a different economy than their hosts. Whether pay diversity is inter-individual or inter-group however, the dominant discourses about pay diversity implicitly endorse the idea that variety in pay is good. This chapter adopts a different position. From a behavioral perspective, pay diversity implies pay discrepancy. Furthermore, this discrepancy takes place in a glocality. In that glocality, pay diversity promotes gravity and endangers health. A primary conduit through which these possibilities are fostered – as Dexter observes above – is through perceived pay injustice.

#### 1. A Theoretical Foundation

For employers and employees alike, compensation systems are among the most salient features of work life. Although these systems are multi-modal, including, for example benefits and other forms of reward such as travel and promotions, the primary form of reward at work is still money, i.e., pay. This pay itself, however, takes increasingly diverse forms. Over and above base pay, for example, work performance can be rewarded by pay-for-performance (e.g., piecework); by merit pay (based on performance appraisals); by profit sharing (percentages of the profit margin); and by gain sharing (bonuses for enhanced profit). Not surprisingly perhaps, the study of pay diversity owes a strong debt to disciplines like Labor Economics (Heneman, Fay & Wang, 2001). Yet disproportionately less room has been accorded to the ways that pay systems are perceived at ground level, in the kind of microclimate observed by Dexter’s Inspector Morse.

## 2. Behavioral Theories of Work Motivation

Comparatively localized perspectives like those above can be fleshed out with the aid of motivation theory – which, fortunately, we have in abundance. Roughly speaking, theories of motivation at work can be split into two primary categories. One category is more closely aligned with the global view of pay diversity. It focuses on the performance of task. Its supporting theories include, for example Scientific Management (Taylor, 1912), Expectancy Theory (Vroom, 1964), and Goal Setting Theory (Locke, 1991). A second major category of theories on work motivation stress more the human-relations side of pay diversity. They examine, for example, the social consequences of differences in pay, for individuals and groups who perceive no fundamental differences in the jobs they perform. These theories include the Meaning of Work (Morse & Weiss, 1955), Cognitive Evaluation Theory (Deci & Ryan, 1990), and Work Justice Theory (e.g., Adams, 1965). The latter theory in particular is actually concerned with perceptions of *injustice* in the workplace. Strictly speaking therefore, Work Justice Theory examines how perceived justice in pay is a necessary condition for maintaining motivation at work, i.e., how perceived *injustices* create work *de*-motivation.

## 3. Task-focused Theories of Motivation

### 3.1. Scientific Management

Despite today's rhetoric of “empowerment at work”, Taylor's philosophy is still very much with us. From a motivational point of view, the essence of Scientific Management, as regards work motivation, is that work behavior is shaped by its consequences. Also known as Stimulus–Response Theory, and Reinforcement Theory, Scientific Management Theory holds that when good work performance is perceptibly followed by a reward in the form of pay, then the same behavior (*response*) is more likely to occur (*reinforcement*) the next time a similar situation (*stimulus*) arises. The basic process enabling work behavior to be motivated in this way is *association*. Hard or good work becomes “associated” with job stimuli via the repeated co-occurrence of stimuli, response, and reward. For this linkage to be established, there must be sufficient temporal proximity, or contiguity, between the events for the link to be noticed. In organizational terms, this contiguity is appropriately termed *line of sight* (Heneman, Ledford & Gresham, 2000).

There is no doubt that conditioning by pay, and payment, does actually motivate work behavior in certain conditions. In one study, for example, set against a control of base pay rates only, the introduction of daily (i.e., contiguous) feedback about work performance, coupled with weekly monetary reinforcers (and time off) were linked to labor cost savings (and work safety behavior too) (Austin, Kessler, Riccobono & Bailey, 1996). Other studies however, have outlined limiting conditions for Scientific Management systems. For example, these systems are more likely to work, in the longer term, if there is a safety net, or base pay, below which pay cannot dip, no matter how “poor” a performance becomes in any given period (Brown & Huber, 1992). In another study, once the workers themselves actually participated in the pay policy's development, an apparent “ceiling” for satisfaction, with merit pay, was raised (Gilchrist & White, 1991). As an ensemble, studies like these begin to suggest that, whilst pay-for-performance sometimes works, reinforcement technologies per se are not always the most sustainable way of