Does contingent pay encourage positive employee attitudes and intensify work?

Abstract

This paper explores the relationships between three dimensions of contingent pay – performance-related pay, profit-related pay and employee share-ownership – and positive employee attitudes (job satisfaction, employee commitment, and trust in management). The paper also examines a conflicting argument that contingent pay may intensify work and this can detract from its positive impact on employee attitudes. Of the three contingent pay dimensions, only performance-related pay had direct positive relationships with all three employee attitudes. Profit-related pay and employee share-ownership had a mix of negative and no significant direct relationships with employee attitudes, but profit-related pay showed U-shaped curvilinear relationships with all three employee attitudes. The results also indicated that performance-related pay is associated with work intensification, and this offsets some of its positive impact on employee attitudes.

Keywords

Contingent pay, job satisfaction, commitment, trust in management, and work intensification.

Introduction

Contingent pay, variously called incentive pay (Green and Heywood, 2008) and variable pay (Curran and Walsworth, 2014), has become increasingly important for motivating employees to perform productively at work (Pendleton et al., 2009). It represents one of key elements of Human Resource Management (HRM) systems aimed at achieving sustainable competitive success for an organization (Appelbaum et al., 2000; Gould-Williams, 2003). Various types of contingent pay, including performance-related pay, profit-related pay, and employee share-ownership, are identified as strategic tools for shaping positive employee attitudes such as job satisfaction (Heywood and Wei, 2006), organizational commitment (Bayo-Moriones and Larraza-Kintana, 2009) and trust in management (Coyle-Shapiro et al., 2002). These pay arrangements provide important incentives that reinforce employees' willingness to put forth discretionary effort, leading to higher levels of achievement and meaningful work-related goals.

Despite reports to suggest a positive relationship between contingent pay and employee attitudes, there are indications that different contingent pay arrangements may intensify work (Weitzman and Kruse, 1990; Gallie et al., 1998; Green, 2004). Weitzman and Kruse (1990: p, 98), for example, noted the use of profit-sharing arrangements may prompt employees to expend greater work effort due to increased pressure to adopt modes of behaviours that enhance labour output. Under such circumstances, employees are induced to work too hard and too much, leading to work-related stress or poor well-being. To date, little progress has been made in gathering empirical evidence on whether contingent pay is in fact associated with the perception that work is more intense, and how this might impact on employees' workplace attitudes. The current study presents a unique opportunity to advance our knowledge of how employees under different contingent pay arrangements are induced to work too hard and too much in response to high job demands.

The contribution of our study is to provide important insights into the relationships between three forms of contingent pay (performance-related pay, profit-related pay, and employee share-ownership) and employees' job satisfaction, commitment, and trust in management. Our set of employee attitudes represents key determinants of the quality of employees' functioning at work, which is crucial for understanding the productivity gains of contingent pay (Caramelli and Briole, 2007). Unlike individual-based contingent pay (e.g., performance-related pay), the attitudinal effects of organization-wide pay schemes may depend on coverage and accessibility. For example, employees under profit-related pay and employee share-ownership arrangements are more likely to respond positively if they are eligible to participate and profits are fairly distributed across organizational levels (Coyle-Shapiro et al., 2002). Surprisingly, this important characteristic of organization-wide incentives has received scant attention in previous research. We fill this gap by examining U-shaped curvilinear effects for profit-related pay and employee share-ownership on employee attitudes. We also add to the literature by examining the extent to which all three forms of contingent pay are associated with employees' experience of work intensification, and the role of work intensification in explaining any unfavourable association between contingent pay and employee attitudes. Our study sets out to determine whether high work intensification arising from the use of particular types of contingent pay may offset any positive impact on employee attitudes.

Contingent pay, theory and previous evidence

Contingent pay represents workplace arrangements where some or all of employees' remuneration are dependent on some measure of performance (Pendleton et al., 2009). Contingent pay may be determined by individual employees' performance in relation to their level of contribution to organizational performance (individual-based incentive), or profit gained by the organization in which the employee works (organization-wide incentive). The

present study focuses on performance-related pay (an individual-based incentive), profit-related pay and employee share-ownership (both organization-wide incentives). This set of contingent pay is by no means exhaustive, but it gives an indication of financial incentives central to debates around HRM systems and their impact on organizational performance (Appelbaum et al., 2000; Macky and Boxall, 2008). Moreover, this set of pay programs illustrates the kinds of contingent pay that organizations tend to use concurrently. For such organizations, a combination of individual-based and organization-wide incentive programs serves to maximize the benefits associated with each program and minimize the potential weaknesses (Kuvaas, 2006).

Performance-related pay is an individual-based incentive offered by an assessment of individual employees' work effort in relation to their contribution to organizational goals (Pendleton et al., 2009). Profit-related pay is an organization-wide incentive concerned with earnings accruable from a measure of organizational profitability. Employee share-ownership is an organization-wide incentive through which employers offer their shares at reduced rates to employees. It is often grouped together with profit-related pay under the generic heading of 'financial participation schemes' (Pendleton et al., 2009), but may differ in terms of eligibility and distribution of profit (Bryson et al., 2012). We operationalize all three dimensions of contingent pay at the organizational level using management data on how each payment system is applied in the workplace. This allows us to examine the extent to which contingent pay, measured at the workplace level, might be associated with work-related attitudes at the level of individual employees. A cross-level investigation such as this is uncommon in HRM research, but relevant for a more pragmatic understanding of the micro and macro effects of an important HRM strategy.

Contingent pay and employee attitudes

Different types of contingent pay operate by different underlying assumptions, and for a number of reasons (e.g., pay determination criteria), may influence employee attitudes differently. Nevertheless, their fundamental purpose is the same, and that is to motivate employees to higher levels of goal attainment (Pendleton et al., 2009). This similarity across all contingent pay systems may override any differences in their attitudinal effects. The present study seeks to examine the extent to which different contingent pay systems converge in terms of their attitudinal effects, and thus, ascertain whether any differences in their use are important for employee attitudes. However, if no evidence is found to suggest that results across contingent pay systems converge, we can infer that their dissimilarities are relevant to employee outcomes.

The motivation-driven process associated with contingent pay is often explained by expectancy theories of motivation (Bayo-Moriones and Larraza-Kintana, 2009; Coyle-Shapiro et al., 2002). Accordingly, employees tend to make rational connections between their expended effort, level of performance, and rewards received. If contingent pay is perceived as a valuable reward that satisfies an important need, and employees' level of performance is essential for attaining that reward, employees may adopt behaviours that enhance their work effort in anticipation that their effort will improve performance and lead to that reward. In other words, the desirability of financial rewards attainable through contingent pay may have a major bearing on employee motivation to perform well and subsequently their positive workplace attitudes (Kuvaas, 2006).

In line with expectancy theories of motivation, studies examining the attitudinal effects of performance-related pay report a positive relationship with employees' job satisfaction and commitment. Heywood and Wei (2006), for example, reported a positive relationship between performance-related pay and job satisfaction among youths in the

United States. According to Heywood and Wei, the use of performance-related pay enhances employees' job satisfaction and optimizes employees' work efficiency in ways that earnings from periodic salaries or hourly wages do not. Because performance-related pay is offered to boost employees' motivation and reward them for good job performance, it stimulates employees' perceptions that their work effort is being appreciated, and this can lead to greater job satisfaction (Green and Heywood, 2008) and organisational commitment (Curran and Walsworth, 2014).

Studies have also reported positive links between profit-related pay and job satisfaction (Kruse, 1996; Bauer, 2004; Heywood and Wei, 2006). Bauer (2004) in his study of European Union member states showed positive links between an incentive-index measure (comprising profit-sharing schemes and income received from workplace bonuses) and job satisfaction. Profit-related pay schemes are well-received by employees because they increase employees' financial stake in the organization. Such schemes may also strengthen employees' sense organizational identification and align employees' interests more closely with organizational goals (Bayo-Moriones and Larraza-Kintana, 2009). This in turn may reinforce employees' job satisfaction, due to an increased sense of job security (Curran and Walsworth, 2014), and enhance employees' long-term commitment to the organization (Caramelli and Briole, 2007).

Employee share-ownership may also have positive attitudinal effects because it fosters employees' financial stake in the organization and aligns their interests more closely with organizational values (Kruse, 1996; Caramelli and Briole, 2007; Kruse et al., 2012). A seminal study on employee share-ownership is Klein (1987) who identified three pathways to positive employee attitudes. Accordingly, employee share-ownership promotes employees' commitment to and satisfaction with the organization by increasing employees' sense of organizational identification (intrinsic satisfaction model), by increasing employees'

influence in workplace decisions (instrumental satisfaction model), and by being financially rewarding for employees (extrinsic satisfaction model). Employees in share-ownership plans tend to identify better with the organization, may have higher 'say' in workplace decisions and earn comparably higher wages than their counterparts (Caramelli and Briole, 2007).

Various forms of contingent pay elicit greater levels of employee commitment and trust in management by communicating signals about the extent to which employees' job performance is appreciated by management (Kruse et al., 2010). This assumption is consistent with the 'norm of reciprocity', the expectation that employees will respond positively to favourable treatment received from their employer (Gould-Williams, 2003). When an employer offers something (such as extra pay) which employees consider to be valuable and reasonably fair, employees develop positive perceptions about the extent to which the employer cares for their well-being. Employees might consequently feel indebted to the employer and reciprocate through greater levels of trust and commitment (Whitener, 2001; Gould-Williams, 2003). Similarly, contingent pay may be likened to a type of 'gift' exchange obliging employees to reciprocate through greater commitment and loyalty towards the organization (Bryson and Freeman, 2012). It may enhance employees' trust that management will recognize and deliver on its financial obligations towards the workforce, leading to mutual benefits for employees, through earnings, and the employer, through a more committed and dedicated workforce. Our first hypothesis is based on an expectation that all three dimensions of contingent pay are positively associated with employee attitudes.

> *Hypothesis 1*: (a) Performance-related pay, (b) profit-related pay, and (c) employee share-ownership are positively related to employees' job satisfaction, commitment and trust in management, respectively.

Unlike individual-based incentives, organization-wide incentives may be influenced by 'coverage' and 'eligibility' for participation (Florkowski, 1987). 'Coverage' refers to the

extent to which organization-wide incentives are accessible across organizational levels, whereas 'eligibility' concerns the extent to which individual employees are allowed to benefit from involvement in organization-wide incentive plans. It is suggested that poor coverage and eligibility may induce perceptions of inequity, such that employees may develop negative feelings about intended outcomes of organization-wide incentives if they are not allowed to participate (Coyle-Shapiro et al., 2002; Florkowski, 1987). This assumption aligns with the principle of distributive injustice, which connects perceived unfairness with the allocation or distribution of organizational resources (Cohen-Charash and Spector, 2001). For example, if there is perceived inequality in the manner in which organizational resources are distributed among organizational members, feelings of being mistreated may ensue, leading to job dissatisfaction, poor organizational commitment and distrust (Cohen-Charash and Spector, 2001). One might thus expect organization-wide incentives such as profit-related pay and employee share-ownership to have negative attitudinal effects if such arrangements are accessible only to a few employees.

The reverse may, however, apply where profit-related pay and employee share-ownership are accessible by many employees, regardless of their employment status. Employees may develop positive opinions about such schemes and respond through positive work-related attitudes. Thus, we expect U-shaped curvilinear relationships for profit-related pay and employee share-ownership with employees' job satisfaction, commitment, and trust in management, respectively. First, a downward sloping (or negative) relationship with employee attitudes may occur to demonstrate that low, but non-zero, coverage of profit-related pay and employee share-ownership at the workplace has detrimental effects relative to no coverage of these pay schemes. However, the upward sloping portion of the U-shaped curve would suggest that profit-related pay and employee share-ownership have positive relationships with employee attitudes in organizations where they are accessible and spread

across a wide distribution of the workplace, relative to organizations where employees have more restricted access.

Hypothesis 2: (a) Profit-related pay, and (b) employee share-ownership have U-shaped curvilinear relationships with employees' job satisfaction, commitment and trust in management, respectively.

Contingent pay and work intensification

As with some HRM strategies, the use of contingent pay has been associated with perceptions of work intensification (Gallie et al., 1998; Green, 2004). Work intensification is defined as a measure of the amount of work effort expended in relation to one's experience of high work demands and pressure (White et al., 2003). It is considered among the main consequences of adopting systems of HRM practices; particularly where such systems are implemented with greater emphasis on labour productivity (Ogbonnaya and Valizade, 2015). The relationship between HRM practices and work intensification draws on the critical perspective of HRM, according to which HRM systems are perceived as exploitative, or a management tool designed to control employees in order to drive organizational performance (Ogbonnaya and Valizade, 2015). This perspective follows a tradition of research in the labour process critique, where management practices aimed at maximizing labour input are thought to elicit greater work effort from employees at the expense of employee well-being.

Although individual-based incentives such as performance-related pay can motivate employees to be more productive, they might also increase employees' experience of work intensification (Green, 2004; Green and Heywood, 2008). Green (2004: p, 718) identified performance-related pay as a type of financial investment that many employers use to elicit greater work effort from willing employees to promote organizational performance. By tying employees' performance to financial incentives, employers send signals to employees about their intention to reward extra work effort with more pay. Employees in turn receive these

signals and feel obliged to work harder in exchange for more pay. Even though employees may value these earnings as a 'good thing', the ultimate beneficiary of their extra effort is the organization. As a consequence, performance-related pay may be considered exploitative, or a management strategy that increases both earnings and work intensification (Green and Heywood, 2008).

Previous studies have not offered much guidance as to how organizational-wide incentives (profit-related pay and employee share-ownership) may increase work intensification. Nevertheless, exogenous factors (e.g., economic uncertainties and a large number of people with financial stakes in the organization) associated with organization-wide incentives may drive employees into behaviours that increase work intensification (Kruse, 1996; Kruse et al., 2012). Some of these behaviours include competing among colleagues for higher pay, or monitoring each other to sanction colleagues who do or do not deserve to receive extra pay. Moreover, profit-related pay and employee share-ownership may increase work intensification due to greater work responsibilities associated with participation in such schemes (Green and Heywood, 2008; Kruse et al., 2010). This assumption rests on the premise that employees in organizational-wide incentive schemes are more likely involved in workplace decision-making activities, usually without adjustments to their other routine job tasks (Kruse et al., 2010). This type of involvement could create a scenario where employees derive pay increases, but remain susceptible to work overloads, long working hours and work-related pressure (Green and Heywood, 2008). We therefore expect a positive relationship between contingent pay and work intensification.

> *Hypothesis 3*: (a) Performance-related pay, (b) profit-related pay, and (c) employee share-ownership are positively related to employees' experience of work intensification.

Contingent pay, work intensification and poor employee attitudes.

To better understand how work intensification may reduce any positive impact of HRM practices on employee attitudes and well-being, Wood et al. (2012) stipulated a potential theory – the counteracting effects model. Accordingly, HRM practices that motivate employees and encourage greater productivity do not only improve organizational performance, but also experiences of work-related stress and pressure. The perception of work-related stress and pressure may in turn offset the positive impact of HRM practices on employee attitudes and well-being. The counteracting effects model is therefore consistent with the idea that greater work demands and pressure may expose employees to job dissatisfaction (Macky and Boxall, 2008), poor organizational commitment (Whitener, 2001), and feelings of distrust towards management (Appelbaum et al., 2000). If we assume that contingent pay is adopted primarily to promote employees' work efficiency and the processes associated with it can increase work intensification (Green and Heywood, 2008), then we might expect higher work intensification to cancel out any positive relationship between contingent pay and employee attitudes. For the fourth hypothesis, we test the conflicting assumption that work intensification mediates a negative relationship between contingent pay and employee attitudes.

> *Hypothesis 4*: Work intensification mediates a negative relationship between (a) performance-related pay, (b) profit-related pay, and (c) employee share-ownership and job satisfaction, employee commitment and trust in management, respectively.

Sample

The present study used data from the management and employee surveys of the 2011 Workplace Employment Relations Study (2011 WERS). The 2011 WERS is the sixth in a series of surveys first conducted in 1980. The study is representative of around 35% of all British workplaces including those in the private and public sectors, most industries

(exceptions are agriculture, hunting and forestry, fishing, mining and quarrying), and firms consisting of at least five employees. Organizational-level data were gathered through an interview with the most senior manager with responsibility for employment relations, human resources or personnel management. A total of 2,680 face-to-face structured interviews with managers were undertaken, each of which lasted about 90 minutes. Employee-level data were collected through a self-completion questionnaire distributed to all employees in workplaces with fewer than 25 employees, and to a random sample of 25 employees in larger workplaces with more than 25 employees. A total of 21,981 employees completed the survey.

To accommodate the nested structure of the 2011 WERS, organizational-level data were reduced from 2,680 cases to 1,923 such that only responses from workplaces who participated in the employee survey were included. A further decision was made to exclude public sector workplaces (i.e., workplaces whose formal status may be described as government-owned limited company, public service agency, central government authorities and so on). This decision was made because (i) public sector organizations are more constrained in terms of using contingent pay arrangements, and (ii) private sector workplaces in Britain are more likely than public sector workplaces to adopt the kinds of pay schemes considered in the present study (Van Wanrooy et al., 2013). Our final sample comprises 13,657 employees nested within 1,293 workplaces.

Employee attitudes and work intensification

Measures of job satisfaction, employee commitment, employee trust in management, and work intensification were derived by employees' self-reports from the 2011 WERS employee survey. Internal consistency between measurement items was verified by reliability statistics (Cronbach's alpha with standardized estimates to account for differing metrics), while construct validity was verified by Composite Reliability (CR) and Average Variance Extracted (AVE). Confirmatory Factor Analysis (CFA) confirmed the underlying factorial

structure of these measures, ensuring adequate fit between the constructs and observed data. Full details of all employee-level variables, corresponding items, and descriptive statistics are presented in Table 1.

Insert Table 1 about here

Job satisfaction was derived by four items measuring the level of contentment and pleasure derived from various aspects of work. The five-point response scale for these items ranged from 'very dissatisfied' to 'very satisfied'. *Organizational Commitment* was derived by three items to capture employees' level of attachment and identification with the organization. The five-point response scale for these items ranged from 'strongly disagree' to 'strongly agree'. *Employee trust in management* was derived by three items measured on a five-point Likert scale from 'strongly disagree' to 'strongly agree'. *Work intensification* was derived by two five-point Likert scale items ranging from 'strongly disagree' to 'strongly agree'. All scales were coded such that high values reflected high scores on the construct. Cronbach's alpha for work intensification is lower than the conventional 0.70 threshold, but our latent variable approach and use of maximum likelihood estimation with robust standard errors adjusts for measurement unreliability.

Contingent pay

Measurement items for contingent pay were selected from the 2011 WERS management survey following the precedents in previous studies (e.g., Green, 2004; Bayo-Moriones and Larraza-Kintana, 2009; Park and Kruse, 2014). *Performance-related pay* was measured by two items: 'do any employees in the workplace get paid by merit and results' and 'what proportion of staff is paid by merit and results'. *Profit-related pay* was also measured by two items: 'do any employees receive profit-related pay or bonuses' and 'what proportion of staff received profit-related pay in the past 12 months'. The first set of items for

both variables is binary ('Yes/No' questions), whereas the second set has six response categories: 'all' (100%) employees, 'almost all' (80-99%) employees, 'most' (60-79%) employees, 'around half' (40-59%) employees, 'some' (20-39%) employees and 'just a few' (1-19%) employees. These were recoded as binary items equal to 1 if 'around half' (i.e., 40% to 100%) of employees are covered. *Employee share-ownership* was measured by two items. The first item concerns the types of employee share-ownership schemes operated in the workplace (recoded as a binary item equal to 1 if 'at least one type of ownership scheme is operated') and the second item concerns the proportion of employees eligible for such schemes (recoded as a binary item equal to 1 if 'around half' of employees are eligible). Details of the contingent pay variables and corresponding items are presented in Table 1.

As all contingent pay items are binary, latent trait analysis was used to access their factorial structure to ensure discriminant validity (Heinen, 1996). A three-factor latent trait model confirmed the hypothesized dimensionality of all three separate contingent pay dimensions. Model fit was adequate: Chi-Square (X^2) = 93.80; degrees of freedom (*df*) = 6; p-value < 0.001; Root Mean Square Error of Approximation (RMSEA) = 0.04; Comparative Fit Index (CFI) = 0.99; Tucker–Lewis Index (TLI) = 0.99. A single-factor latent trait model of all contingent pay items failed to fit the data (X^2 = 7323.601; *df* = 9; p-value < 0.001; RMSEA = 0.25; CFI = 0.66; TLI = 0.43).

Control variables

We controlled for five variables: workplace size (number of employees currently on the payroll at the workplace), tenure (the number of years the employee has been working at the workplace), contract type (employment based on permanent, temporary or fixed period contract), gender and age. These control variables were selected in line with previous studies (e.g., Heywood and Wei, 2006; Pendleton et al., 2009; Kruse et al., 2010).

Data analysis

Hypothesized relationships were examined by structural equation modelling with latent variables, performed on the basis of multilevel analysis. Multilevel analysis was used to account for the nested structure of our data (i.e., contingent pay measured at the organizational level and employee attitudes and work intensification measured at the employee level). Two sets of structural equation models were estimated with the robust maximum likelihood estimator (MLR) and the numerical integration algorithm in the Mplus software program (version 7.1 that enables estimation of curvilinear effects with latent variables). The MLR estimator and numerical integration algorithm are suitable for multilevel analysis, adjusts for errors in measures, and accounts for non-normality in the data (Asparouhov and Muthen, 2008).

The first model (Model 1) corresponds to Hypotheses 1 to 3 (see Figure 1) and comprised three main components: (i) the measurement models for all three dimensions of contingent pay, all three employee attitudes and work intensification; (ii) a command to specify quadratic terms (i.e., the variable multiplied by itself) for profit-related pay and employee share-ownership; and (iii) a structural model for which the latent factors of all three employee attitudes and work intensification were regressed on the latent factors of all three contingent pay schemes, the two quadratic terms and control variables. The quadratic terms were used to test the curvilinear effects of profit-related pay and employee share-ownership on employee attitudes (i.e., Hypotheses 2).

Insert Figure 1 about here

The second model (Model 2) corresponds to Hypotheses 4 (see Figure 2) and comprised four components: (i) the measurement models for all three contingent pay schemes, all three employee attitudes and work intensification; (ii) a structural model for

which the latent factor of work intensification was regressed on the latent factors of all three contingent pay schemes and the two quadratic terms; (iii) another structural model for which the latent factors of all three employee attitudes were regressed on the latent factor of work intensification, the latent factors of all three contingent pay schemes, the two quadratic terms and control variables; and (iv) a syntax for all mediated effects through work intensification. Statistical significance for mediated effects was validated by the distribution of the product of coefficients method (MacKinnon et al., 2002). This technique is appropriate for multilevel analysis and avoids problems associated with the more widely known Sobel's test (MacKinnon et al., 2002).

Insert Figure 2 about here

Results

Standard model fit statistics such as RMSEA, CFI and TLI are not available for Models 1 and 2 due to use of numerical integration algorithm. We therefore estimated a reference model with the same measurement and structural components but without the quadratic terms and the numerical integration algorithm. The reference model showed adequate model fit: Chi-square (X^2) = 1712.43; *df* = 185; p-value < 0.001; RMSEA = 0.03; CFI = 0.96; TLI = 0.94. Factor loadings are provided in Table 1. The patterns of factor loadings in the reference model were the same with Models 1 and 2. All items loaded on their factors in the direction hypothesized.

The results of the first model are reported in Table 2. Performance-related pay was positively associated with job satisfaction ($\beta = 0.04, p < 0.05$), employees' commitment ($\beta = 0.04, p < 0.05$) and trust in management ($\beta = 0.06, p < 0.01$). Thus, Hypothesis 1 is fully supported for performance-related pay. Profit-related pay was not significantly related to job satisfaction ($\beta = -0.05, p > 0.05$) and was negatively related to organizational commitment (β

= *-0.05, p < 0.05*) and trust in management (*β = -0.08, p < 0.01*). For employee share-ownership, there was a negative relationship with job satisfaction (*β = -0.08, p < 0.05*) and no significant relationships with organizational commitment (*β = -0.01, p > 0.05*) and trust in management (*β = 0.05, p > 0.05*). Hypothesis 1 is not supported for profit-related pay and employee share-ownership.

Insert Table 2 about here

The quadratic term for profit-related pay showed positive relationships with job satisfaction (*β = 0.09, p < 0.01*), organizational commitment (β = *0.10, p < 0.001*) and employee trust in management (*β = 0.13, p < 0.001*); thus, Hypothesis 2 is fully supported for profit-related pay. The form of these relationships indicates profit-related pay initially has a negative relationship with employee attitudes from zero to medium levels of profit-related pay, and a positive relationship with employee attitudes from medium to high levels of profit-related pay (see plots in Figures 3, 4 and 5). The quadratic term for employee share-ownership however showed no significant relationships with any employee attitude measures.

Insert Figure 3 about here

Insert Figure 4 about here

Insert Figure 5 about here

Performance-related pay was positively related with work intensification (*β = 0.03, p < 0.01*), whereas profit-related pay (*β = -0.03, p > 0.05*) and employee share-ownership (*β =*

-0.02, p > 0.05) were not significantly related with work intensification. Thus, Hypothesis 3 is supported for performance-related pay only.

The lower portion of Table 2 shows 95% confidence intervals derived from the distribution of the product of coefficients method. This method was used to validate mediated relationships (*αβ)* between contingent pay and employee attitudes via work intensification. Work intensification is negatively related with job satisfaction (*β = -0.26, p < 0.001*) and employees' trust in management (*β = -0.29, p < 0.001),* but there is no significant relationship with organizational commitment. Through work intensification, performance-related pay has negative indirect relationships with job satisfaction (*αβ = -0.01, p < 0.05*) and employee trust in management (*αβ = -0.01, p < 0.05*). Hypothesis 4 is therefore partially supported for performance-related pay (since the mediated path to organizational commitment is not significant). Profit-related pay and employee share-ownership had no significant indirect relationships, via work intensification, with any employee attitude measure. Thus, Hypotheses 4 is not supported for profit-related pay and employee share-ownership.

Discussion and implications of study

The present study gives important insights into how different dimensions of contingent pay are associated with employees' work-related attitudes. The study is arguably the first to show empirical support for claims that the productivity gains of compensation strategies might be associated with employees' experience of work intensification. We found, within the limits of our analysis, that individual-based incentives may not always have positive effects on employee attitudes, and high work intensification might explain why.

Our analysis showed performance-related pay, an individual-based incentive, has direct positive relationships with job satisfaction, employee commitment, and trust in management, respectively. This finding corroborates the mutual gains argument that HRM

strategies may enhance the performance of an organization through positive effects on employee outcomes. Job satisfaction, employee commitment, and trust in management are recognized in the mutual gains thesis as key ingredients for enhancing workplace performance due to their concomitance with improved employees' productivity and work efficiency (Appelbaum et al., 2000; Whitener, 2001). We thus interpret the positive influence of performance-related pay on these employee attitudes as a type of mutuality in which employees receive pay rises in exchange for an increased sense of commitment towards developing a more effective organization.

The practical implication of this finding is to identify earnings from performance-related pay as a guaranteed source of income even in periods of economic uncertainty. We make this argument on the basis that data for the present study were collected during a period when many British workplaces were experiencing reductions in staff benefits and major cuts in wages due to economic recession (Van Wanrooy et al., 2013). Such periods of economic uncertainty are often associated with reduced profitability for an organization; workers may find it difficult to earn extra pay (Kruse, 1996). However, because earnings from performance-related pay are directly proportional to individual employee's level of performance rather than organizational profit, employees are confident about receiving extra pay whether or not the organization is adversely affected by economic uncertainties.

Although we had hypothesized a direct positive relationship between profit-related pay and employee attitudes, our analysis showed no support for this. Profit-related pay was instead found to have no significant relationship with job satisfaction, and negative relationships with employee commitment and trust in management, respectively. These findings are generally unexpected in the light of previous research (see Kruse, 1996; Heywood and Wei, 2006; Park and Kruse, 2014). Another surprising finding was that employee share-ownership had a direct negative relationship with job satisfaction, and no

significant relationships with employee commitment and trust in management, respectively. Again, these results contradict previous studies (e.g., Kruse et al., 2010; Bryson and Freeman, 2012) where share-ownership schemes have been linked with positive employee outcomes. It is suggested that organization-wide incentives allow employees to partake in the distribution of organizational wealth thereby improving employees' work-related attitudes.

One factor that may explain the relationship between profit-related pay and employee attitudes is the extent to which such schemes are accessible and spread across organizational levels. Our analysis revealed U-shaped curvilinear interactions between profit-related pay and all three measures of employee attitudes. As illustrated in Figures 3 to 5, profit-related pay initially had downward sloping relationships with job satisfaction, employee commitment and trust in management, but higher levels of profit-related pay were associated with positive employee outcomes. That means at higher levels of employees' uptake or participation, profit-related pay had a positive rather than a negative impact on employee attitudes. This assumption is informed by the links between distributive justice (i.e., the perceived degree of fairness in allocating or distributing organizational resources) and employee attitudes. Employees are more likely to cede their personal interests in favour of organizational objectives if workplace resources are distributed fairly across organizational levels (Cohen-Charash and Spector, 2001). Thus, if profit-related pay is concentrated in a small proportion of the workplace, employees may feel maltreated and display poor work-related attitudes. However, if profit-related pay is spread across a wide distribution of the workplace, employees may show greater acceptance and reciprocate by positive workplace attitudes.

The practical implication of this is the need to encourage fairness and adequate employee uptake of profit-sharing arrangements. Employers should ensure that mechanisms for distributing organizational profits are administered efficiently so as not to miss providing salient rewards to deserving employees in a timely manner (Green and Heywood, 2008).

Where compensation strategies are perceived to be equitable, employees are more likely to show greater acceptance of such arrangements, and demonstrate better work-related attitudes (Kruse et al., 2012). Moreover, a well-managed profit-sharing scheme may serve as a type of 'gift' exchange that engenders mutual gains between employers and employees (Bryson and Freeman, 2012). By partaking in the distribution of organizational profit, employees accept a 'gift' from the employer, and based on the norm of reciprocity, might return the 'favour' through positive work-related attitudes (Kruse et al., 2010).

Turning now to employee share-ownership, our analysis showed no significant curvilinear interaction with any employee attitude measure. Does this imply, therefore, that perceived unfairness in employees' access to organizational-wide incentives might explain the attitudinal effects of some schemes (e.g., profit-related pay) but not others (e.g., employee share-ownership)? Alternatively, do we conclude based on Klein's (1987) argument that employee share-ownership may sometimes fail to elicit positive employee attitudes because it does not provide prompt rewards for individual work effort? Although the literature has not given much insight into how employee share-ownership may impact negatively on employee attitudes, we draw on the assumption that share ownership plans are susceptible to stock price fluctuations, and this may have an effect on participating employees (Klein, 1987). Fluctuations in stock prices tend to follow a downward trend during periods of economic crises, such as was the case when data for the present study was collected (Van Wanrooy et al., 2013). Organizations in such circumstances are constrained in terms of their contributions to employee share-ownership, which may have unfavourable consequences for employee attitudes. Altogether, the divergence in results across all three contingent pay systems indicates that their dissimilarities outweigh their commonalities. There is therefore a need for further research to examine why contingent pay systems may have dissimilarities in outcomes.

Contingent pay, work intensification, and employee attitudes

Of the three dimensions of contingent pay, only performance-related pay is associated with the feeling that work might be too demanding or that one has insufficient time to get work done. This finding corroborates reports that performance-related pay is associated with high job demands and pressure (Gallie et al., 1998; White et al., 2003; Green, 2004). For example, Green (2004), in a study of British establishments, showed enacting performance-related pay as part of an overall high-commitment work regime may lead to employees' experience of high work demands. Green used the broad concept of 'effort incentives', a term which also incorporates performance-related pay, to illustrate a reward mechanism by which employers entice willing employees to expend higher work effort in exchange for more pay. Performance-related pay may be perceived as an exploitative payment system, or a burden of responsibility that provides extra pay for workers, but ultimately benefits the employer.

A related concern for performance-related pay is that the feeling of work intensification associated with it may detract from its positive impact on job satisfaction, employee commitment and trust in management, respectively. This finding aligns with Wood et al.'s (2012) counteracting effects model. As with other HRM strategies, performance-related pay might be counterproductive for employees due to its positive association with work intensification. In particular, performance-related pay might derail employee attitudes where employees perceive that the mechanisms for evaluating their performance (e.g., performance appraisals) are overly subjective or implemented unjustly (Heywood and Wei, 2006; Green and Heywood, 2008). In such circumstances, performance-related pay might miss providing salient rewards to deserving employees despite subjecting them to high work demands and pressure (Whitener, 2001). This in turn may promote feelings of not being adequately appreciated, leading to poor workplace attitudes.

The implication of our result for human resource practitioners is that Wood et al.'s (2012) counteracting effects model may be applicable to individual-based incentives but not organization-wide incentives. Our analysis questions the extent to which an individual-based incentive such as performance-related pay may promote positive employee attitudes in a sustainable way, particularly if one considers the potential impact of work intensification. Thus, the nature of the relationships between performance-related pay and employee attitudes may depend on a perceived imbalance between intensive work effort and the availability of commensurate rewards. If employees perceive a lack of reciprocity between the work efforts expended in relation to the measure of rewards received, feelings of distrust may ensue and lead to poor employer-employee relations (Siegrist et al., 2004).

Limitation and strengths of study

The main limitation of the present study is that its cross-sectional nature has precluded us from making strong causal statements. However, considering our predictions are grounded in existing theories of motivation, we believe our findings are robust to allow comparison with evidence from previous studies. Another limitation of the present study concerns the relatively small effect size for contingent pay. This issue is not unusual in HRM research, and especially, studies based on the British WERS (e.g., Wood et al., 2012). Data for the present study, the 2011 WERS, were collected at a population level to maximize representativeness for the British workforce. A small effect in the WERS context should have practical importance when applied to the British economy as a whole.

The key strengths of our study relate to its large sample size and multilevel design. The large sample size enabled a more reliable analysis of our study population, whereas our multilevel design allowed us to partition measurement errors into organizational- and employee-level components. Both features helped in achieving meaningful estimates for our hypothesized relationships. The present study is novel in that it simultaneously assesses the

direct and indirect relationships between different dimensions of contingent pay and measures of employees' own experience of work. The study demonstrates how individual-based and organizational-wide incentive schemes may vary in terms of their influences on positive employee attitudes. Further studies might take a lead from our analysis to examine the attitudinal effects of contingent pay in particular organizational settings such as financial services, sales and retail. The HRM literature, and indeed practitioners, would benefit from empirical evidence on whether different contingent pay dimensions converge in terms of their impact on employee attitudes in specific contexts and work environments.

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TABLE 1 *Variables and descriptive statistics*

Variables	Observed Items	Mean	SD	Factor loadings	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Performance-related pay	Do any employees in this workplace receive pay by results or merit	0.50	0.50	0.76	-	-	-
	What proportion of staff get paid by results or merit	0.33	0.47	0.93			
Profit-related pay	Do any employees receive profit-related pay or bonuses	0.39	0.49	0.77	-	-	-
	What proportion of staff received profit-related pay in the past 12 months	0.17	0.38	0.74			
Employee share-ownership	Does this company operate any employee share-ownership schemes	0.23	0.42	0.97	-	-	-
	What proportion of staff are eligible for share-ownership	0.19	0.39	0.90			
Job satisfaction	How satisfied are you with the opportunity to develop your skills	3.43	1.08	0.72	0.73	0.73	0.41
	How satisfied are you with the amount of pay you receive	3.04	1.13	0.55			
	How satisfied are you with your job security	3.55	1.01	0.60			
	How satisfied are you with the work itself	3.88	0.87	0.68			
Organizational Commitment	I share many of the values of my organization	3.73	0.86	0.73	0.86	0.86	0.67
	I feel loyal to my organization	3.94	0.90	0.86			
	I am proud to tell people who I work for	3.87	0.97	0.87			
Employees' trust	Managers here can be relied upon to keep to their promises	3.35	1.06	0.87	0.92	0.87	0.80
	Managers here are sincere in attempting to understand employees' views	3.45	1.07	0.91			
	Managers here deal with employees honestly	3.50	1.04	0.90			

Work intensification	My job requires that I work very hard	4.10	0.78	0.58	0.52	0.55	0.40
	I never seem to have enough time to get my work done	3.18	1.07	0.65			
Control variables							
Workplace size	Number of employees currently on the payroll at this workplace						
Tenure	How many years in total have you been working at this workplace						
Contract type	Which of the phrases below best describes your job here						
Gender	Male or female						
Age	Age						

Sample size = 13657 employees nested within 1293 workplaces

Note: All factor loadings are standardized scores and significant at $p < 0.001$

SD = Standard Deviation

TABLE 2 *Results for Models 1 and 2*

Direct effects of contingent pay on employee attitudes and work intensification

Variables	**Job Satisfaction** ***(residuals)***	**Employee Commitment** ***(residuals)***	**Employee Trust** ***(residuals)***	**Work Intensification** ***(residuals)***
Performance-related pay	0.04* *(0.02)*	0.04* *(0.02)*	0.06** *(0.02)*	0.03** *(0.01)*
Profit-related pay	-0.05 *(0.03)*	-0.05* *(0.03)*	-0.08* *(0.03)*	-0.03 *(0.02)*
Profit-related pay Quadratic term	0.09** *(0.03)*	0.10*** *(0.03)*	0.13*** *(0.03)*	0.01 *(0.02)*
Employee share-ownership (ESOP)	-0.08* *(0.04)*	-0.01 *(0.05)*	0.05 *(0.06)*	-0.02 *(0.03)*
ESOP Quadratic term	0.04 *(0.03)*	-0.03 *(0.04)*	-0.07 *(0.05)*	0.01 *(0.02)*
Workplace size	-0.00 *(0.01)*	-0.01 *(0.01)*	-0.04*** *(0.01)*	0.02* *(0.01)*
Tenure	-0.05*** *(0.01)*	-0.04*** *(0.01)*	-0.13*** *(0.01)*	0.04*** *(0.01)*
Contract type	-0.00 *(0.01)*	0.01 *(0.01)*	0.04*** *(0.01)*	-0.04*** *(0.01)*
Gender	0.06*** *(0.01)*	0.08*** *(0.01)*	0.07*** *(0.01)*	0.02** *(0.01)*
Age	0.03** *(0.01)*	0.05*** *(0.01)*	0.01 *(0.01)*	0.04*** *(0.01)*

95% Confidence intervals (from distribution of the product of coefficients method) for indirect effects

	Job Satisfaction		**Employee Commitment**		**Employee Trust**	
Contingent pay	***Lower limit***	***Upper limit***	***Lower limit***	***Upper limit***	***Lower limit***	***Upper limit***
Performance-related pay	-0.014	-0.001	-0.003	0.000	-0.015	-0.001
Profit-related pay	-0.004	0.020	-0.001	0.003	-0.005	0.021
Profit-related pay Quadratic term	-0.016	0.008	-0.003	0.001	-0.017	0.009
Employee share-ownership (ESOP)	-0.009	0.022	-0.001	0.004	-0.010	0.024
ESOP Quadratic term	-0.019	0.006	-0.003	0.001	-0.020	0.007

All regression coefficients and residuals are standardized scores

*Significance levels: *** = p < .001, ** = p < .01, * = p < .05*

FIGURE 1 *Contingent pay → employee attitudes and work intensification (Model 1)*

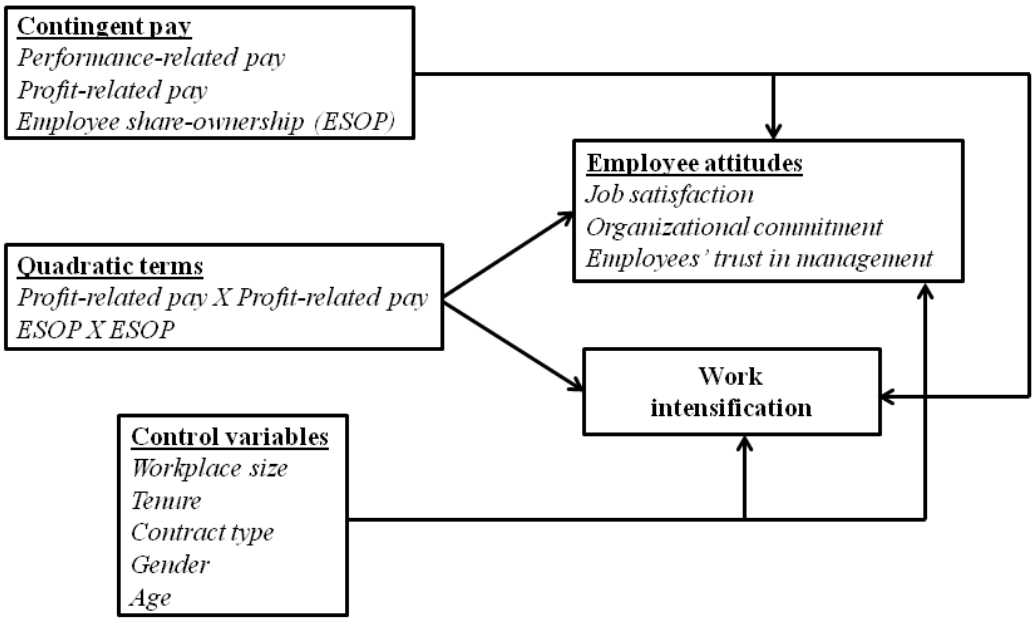

FIGURE 2: *Contingent pay → work intensification → employee attitudes (Model 2)*

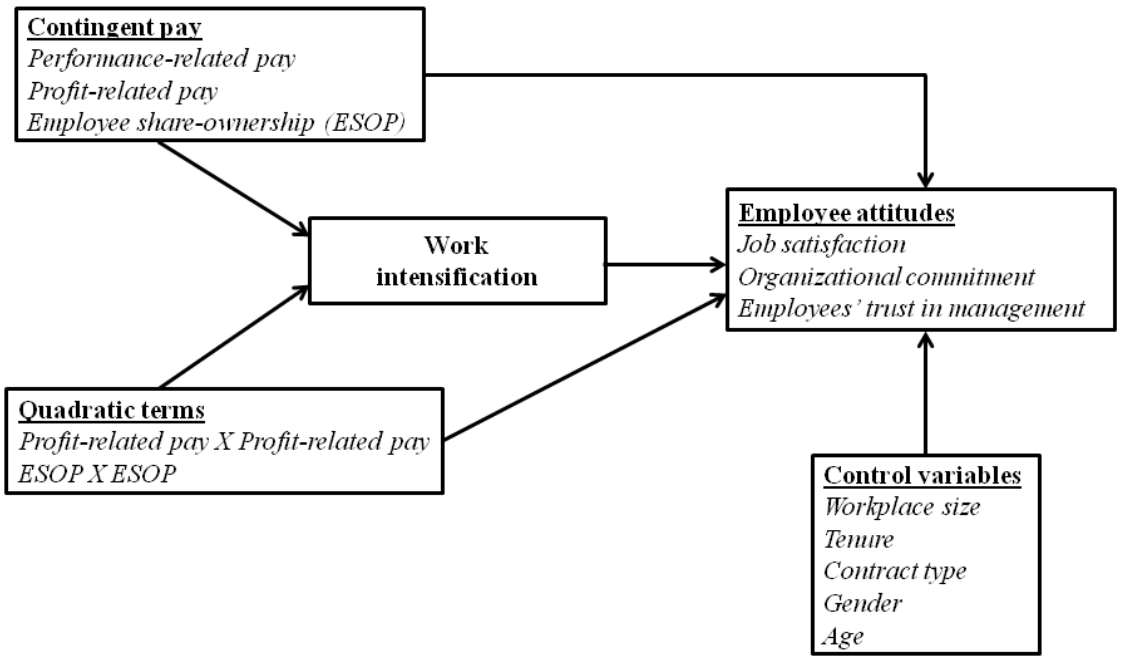

FIGURE 3 *U-shaped curvilinear relationship between profit-related pay and job satisfaction*

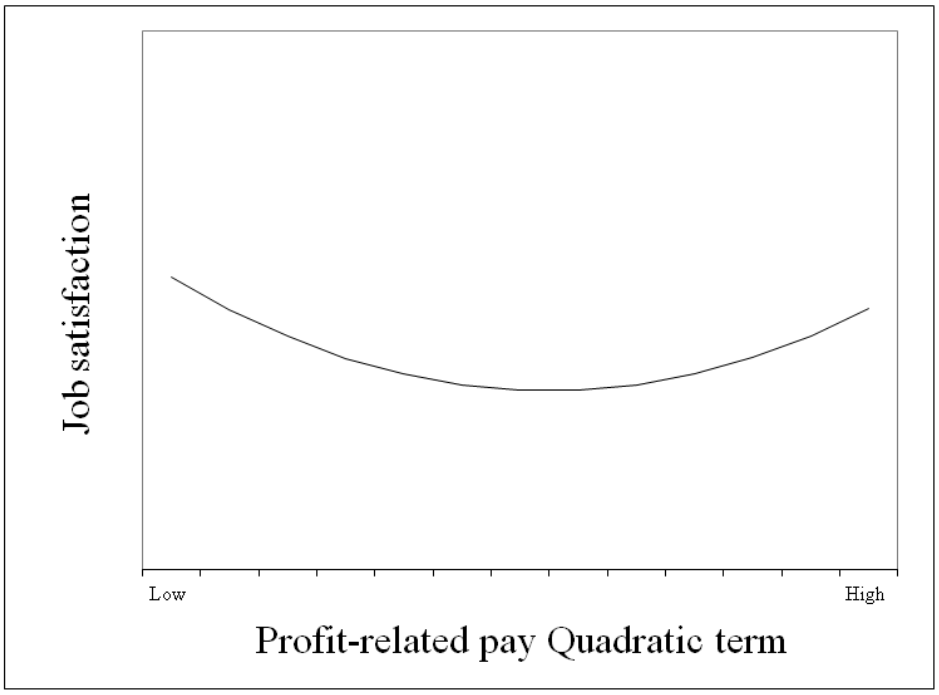

FIGURE 4 *U-shaped curvilinear relationship between profit-related pay and organizational commitment*

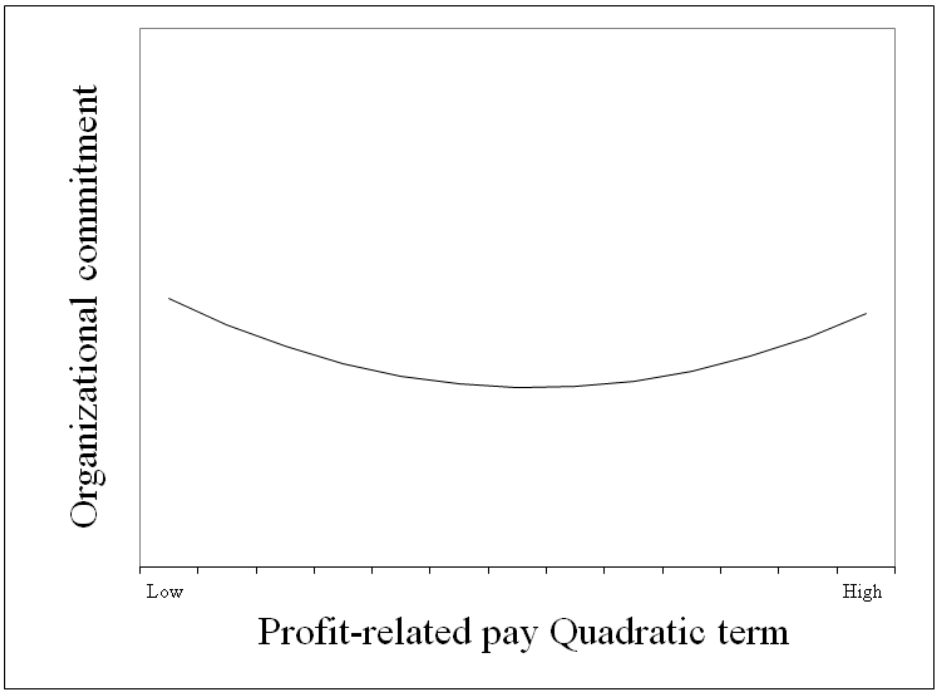

FIGURE 5 *U-shaped curvilinear relationship between profit-related pay and employees' trust in management*