Pay Mix Policies as (Dis)Incentives in Motivated Job Choice Decisions

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Effective employee recruitment strategies are critical to organizational success. When faced with recruitment challenges, a common response by firms is to increase pay level, an incentive that is somewhat easily competed away as other firms follow suit. The following instead examines the incentive effects of pay mix in motivated job choice decisions. Relevant research is reviewed to establish the conceptual foundation. Then through experimental design, we investigate whether job postings that are alike on all substantive qualities except pay mix policy distinguish job appeal in a systematic way. Our findings provide preliminary support for stronger incentive effects with a work–life balance pay mix policy, relative to market-match and performance driven pay mix policies. Job postings that conveyed a work–life pay mix were rated as significantly more appealing by both men and women. Further, this pattern of preference was distinctly larger for women relative to men, which speaks to the practical aspect of attracting a gender-diverse applicant pool. Findings will inform research and practice on the incentive qualities of total compensation (pay and benefits), often given short shrift in comparison to the monetary component of compensation alone.

Keywords: pay mix policies, incentives, motivated choice, gender, work–life balance

In keeping with construals of person–organization fit that emphasize compatibility between individual preferences or needs and organizational systems and structures (Kristof, 1996), job postings convey information to potential applicants that facilitate their evaluation of fit (Schmidt, Chapman, & Jones, 2015). Moreover, a theory of labor demand suggests that communicated pay policies are particularly useful in this regard (Cable & Judge, 1994; Milkovich, Newman, & Gerhart, 2010). A straightforward application of this concept is evident in the strategic decisions by companies regarding the relative mix of base pay, performance-contingent pay, and fringe benefits. Milkovich et al. (2010) identify four broad pay mix policy alternatives, three of which we will explore here. A market-match policy emphasizes a competitive base pay. A performance-driven policy shifts emphasis to performance-contingent pay. A work–life balance policy emphasizes employee fringe benefits. Thus by allocating the same compensation dollars differently, organizations can distinguish themselves in the labor market through the form of reinforcement offered. In this way, the form of total compensation is a distinct incentive from the amount of total compensation. It is also a potentially more cost efficient way for organizations to attract and retain talent, a critical factor to organizational success (Phillips & Gully, 2015). However, to be effective organizations must understand which form of pay mix policy is actually preferred by potential job applicants and whether these preferences vary across desired segments of the labor force.
market, as behavioral and cognitive theories of motivation would suggest.

From a reinforcement theory perspective, one could say that motivated job choice decisions are influenced by potential applicants’ preferences for the form of reinforcement associated with expected behaviors. Organizations transmit information about desired behaviors and corresponding reinforcers to prospective employees during the recruitment process in various ways. For instance, information is conveyed or inferred from content on the organization’s website and the use of signing bonuses (Suazo, Martínez, & Sandoval, 2009), the quality of experience throughout the recruiting process (Ryan, Sacco, McFarland, & Kriska, 2000; Rynes, Bretz, & Gerhart, 1991; Turban, 2001), recruitment materials (Jones, Willness, & Madey, 2014), and job advertisements or postings (Schmidt et al., 2015). This study focuses on the latter because job postings are often the initial source of company specific information for potential applicants, and also the final source if the information does not favorably align with potential applicants’ individual preferences.

Corresponding to the composition of pay mix policies, research and surveys on preferences among job applicants tend to focus on one or more of the following key workplace differentiators: pay level, flexibility for work–life balance, and opportunity for promotions or career advancement. Although there are a myriad of other factors one might consider, these are the ones that potential applicants rate as highly important (Hewitt, 2015) and these factors are more easily discerned at the early stages of recruitment compared with more subjective job factors that may also rate highly such as meaningful work and good coworkers but can only be assessed at later stages of recruitment or employment. All else equal, a higher pay level is an economically rational preference. However, as pay mix policies portend, tradeoffs among these factors typically occur when potential applicants evaluate job opportunities. In particular, anecdotal and empirical evidence suggest that women in contrast with men tend to place greater value on work–life balance and lower value on monetary pay when evaluating job choices (Barbulescu & Bidwell, 2013; Konrad, Ritchie, Lieb, & Corrigall, 2000).

To gain further insights, the following examines the use of pay mix policy as a strategic recruitment incentive. Through experimental design, we investigate whether job postings that are alike on all substantive qualities except pay mix policy distinguish job appeal among potential applicants in a systematic way. We extend extant findings to predict that women will find a job posting significantly more appealing when it conveys a work–life pay mix versus a market-match or performance-driven pay mix, and that women will favor a work–life pay mix significantly more than men. Further insights regarding the pattern of preference for men will be culled post hoc. Findings will speak to the incentive qualities of total compensation (pay and benefits), often given short shrift in comparison to the monetary component of compensation alone, and will offer practical implications for the recruitment of gender diversity.

Method

Sample

Study participants were recruited through Amazon Mechanical Turk (MTurk), an online marketplace that facilitates the completion of “human intelligence tasks” by on-demand workers in exchange for monetary payment. The site’s on-demand workers provide a large and well established pool of potential research participants that is used by many academic researchers for this purpose (Aguinis & Edwards, 2014; Aguinis & Lawal, 2012). Participants were hired based on the minimum criteria of U.S. residency, to limit potential cultural confounds, and prior completion of at least 500 tasks at a minimum of a 95% success rate. Each participant was assigned a qualification code that prevented them from completing the experimental task more than once. A total of 100 participants were hired. A sample size of 92 remained after deletion of 8 cases that failed the engagement check, which consisted of an embedded question with a prescribed answer.

Standard procedures were followed to recruit (hire) participants from the MTurk pool of workers. A job posting was placed in the online marketplace stating:

We are conducting a 10+ min academic survey on responses to job recruitment ads. We need you to review some job postings and rate the extent of your agreement to a series of general questions. Select the link below to com-
complete the survey. At the end of the survey, you will receive a code to paste into the box below to confirm completion and receive credit.

A payment amount of $1.25 was indicated with the posting and the criteria listed above were activated to filter participants for eligibility. All interaction and payment was handled through an anonymized electronic interface within the MTurk platform. MTurk workers that meet the set criteria self-select jobs to perform. The specified number of participants (100) was reached within one day of activating the posting.

The sample age ranged from 20 to 68 years, with an average age of 35 and a median age of 31. The sample was 64% male, 64% were employees of an organization in addition to their freelance work, 67% were single, and 80% had no children under the age of 18. The sample characteristics appear consistent with a broader demographic profile of MTurk workers that indicated 69% of workers are employed either full or part time elsewhere and in general they comprise all walks of life (Ross, Irani, Silberman, Zaldivar, & Tomlinson, 2010).

Measures

Participants assessed job appeal, the dependent variable, for each job posting. To confirm that the job description and postings were indeed gender neutral, participants were also asked to rate their perceived likelihood of receiving an offer if they applied. After all job postings were evaluated on these two variables, demographic data, including gender, were assembled, and a manipulation check pertaining to job earnings was conducted. All variables other than demographics were measured on a seven-point scale that ranged from strongly agree to strongly disagree.

Job appeal. This 6-item measure was developed and validated by Gaucher, Friesen, and Kay (2011). Items are “this job is appealing,” “I think I could enjoy this job,” “this is not a job I would want” (reverse coded), “this company would be a good employer,” “this job looks interesting,” and “this company seems like a great place to work.” Participants rated job appeal immediately following their review of each individual job posting, while the impression of the particular job was foremost in their mind. Alphas reliabilities were .93, .92, and .91, respectively, for each of the three job posting pay mix conditions, and are consistent with the level of internal consistency determined by Gaucher et al. in their validation of the measure. The mean score of the combined six items was used for analyses purposes. Table 3 presents job appeal means as a function of pay mix condition (i.e., job posting) and gender, and denotes the range of standard error for each.

Confound and manipulation checks. The perceived likelihood of receiving a job offer was assessed with a single item developed by Barbulescu and Bidwell (2013): “Suppose you apply for this job. How likely is it you get an offer?” If both men and women rate job offers from each posting as similarly likely, concern over potential confounding effects on gender differences in job appeal is alleviated to some extent. As a manipulation check, participants were asked to rate their agreement with the following statement: “Maximizing my earning potential is a must for me.” We expected this item to have the highest positive correlation with ratings of job appeal for the performance-driven condition if the experimental job postings conveyed pay mix policy as intended.

Control variables. Marital status (married = 0, single = 1) and the number of children under the age of 18 (6-point scale ranging from 1 = no children to 6 = 4 children) were included in the analysis as covariates. Both variables potentially influence the rational tradeoff between pay and work–life balance when choosing among jobs. Controlling for the effects of these life-stage variables allows for a clearer interpretation of enduring differences in preferences rather than simply differences reflecting current needs.

Experimental Procedures

We created job postings that represent the three pay mix policies of interest while holding the job title and description constant. All participants first reviewed a basic job description for the position of project coordinator (see Table 1), preceded with this introduction: Hiring Solutions, LLC represents several companies seeking to hire project coordinators. Here is the basic job description. This particular job was chosen for the study because it does not unduly convey any predisposition with regards to gender or age, and it has sufficiently broad qualifi-
Table 1

Experimental Scenario: Basic Job Description

Hiring Solutions, LLC, represents several companies seeking to hire project coordinators. Here is the basic job description:

Project Coordinator Job Responsibilities:
- Accomplishes department objectives by meeting work and cost standards; providing work direction to staff.

Project Coordinator Job Duties:
- Accomplishes work requirements by orienting, training, assigning, scheduling, and coaching employees.
- Meets work standards by following production, productivity, quality, and customer-service standards; resolving operational problems; identifying work process improvements.
- Meets cost standards by monitoring expenses; implementing cost-saving actions.
- Updates job knowledge by participating in educational opportunities; reading professional publications.
- Enhances department and organization reputation by accepting ownership for accomplishing new and different requests; exploring opportunities to add value to job accomplishments.

Project Coordinator Skills and Qualifications:
- Performance Management, Project Management, Foster Teamwork, Supervision, Quality Management, Tracking Budget Expenses, Results Driven, Delegation, Time Management, Proactive, Staffing

Specifics on project coordinator positions at different companies follow. Please evaluate each position by answering the accompanying questions.

Table 2

Summary of Experimental Job Postings Conveying Pay Mix Policies

<table>
<thead>
<tr>
<th>Argyle, Inc. Performance-Driven</th>
<th>Benner Corporation Market Match</th>
<th>Canford Company Work-Life Balance</th>
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<tbody>
<tr>
<td>Project Coordinator needed for key position in premier technology company. Our organization offers potential career growth like none other. We have set the bar high, and are dedicated to helping you reach it. We enjoy recognizing our employees who work hard. Good performance and ambition are rewarded with promotions and raises! Applicants should be professional and committed to becoming the best among the best.</td>
<td>Leading technology company seeks a Project Coordinator to join its well-established, fast-paced operations. Applicants for this central position should be comfortable with multi-tasking and have the skills to effectively prioritize tasks. We offer a pleasant working environment and competitive compensation package that includes paid time off. Come see why Benner has been attracting and retaining some of the best professionals in the industry!</td>
<td>We are a major technology company on the hunt for a hands-on Project Coordinator for our strategic and high priority projects. This involves interaction with multiple functional departments and professionals across our company. We offer a flexible work schedule and a culture that enhances the lives of its employees and their families. Enjoy a benefits package that emphasizes a job worth having while maintaining a life worth living!</td>
</tr>
</tbody>
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vances from online job postings and the basic logic that companies highlight their more desirable attributes at the initial recruitment stage. In sum, high work–life balance and attractive pay are explicitly discernable, but low work–life balance and less competitive pay are interpreted through more subtle references or by the absence of mention of them altogether, as in the case of pay.

Research Design

We used a mixed-design analysis of covariance (ANCOVA) to examine mean differences, which allows for simultaneous consideration of the within-subject factors (individual’s repeated job-posting evaluations across three scenarios) and between-subjects factors (male and female). Before conducting the primary analyses to test our hypothesis, we conducted confound and manipulation checks to support the veracity of our ultimate findings. We then conducted a 3 × 2 mixed-design ANCOVA analysis with job appeal for each of the three job-posting conditions (performance-driven, market-match, and work–life) as a repeated, within-subjects factor and job appeal by participant gender as a between-subjects factor.

Results

Independent t test results indicated no significant differences between men and women in perceived likelihood of receiving a job offer for each of the three job postings. This suggests that the likelihood of a job offer is not a confounding variable of serious concern in the subsequent analysis of gender differences in ratings of job appeal. To confirm that the pay-policy manipulations represented by the three job-postings conveyed distinction in monetary earnings, we compared bivariate correlations between how strongly respondents agreed with the statement that “maximizing my earning potential is a must for me” and their ratings of job appeal across the job postings. A desire to maximize earning potential was significantly correlated with job appeal under all three conditions, as might be expected, but it was the highest for the performance-driven condition ($r = .63$, $p < .00$), appreciably lower for the market-match condition ($r = .47$, $p < .00$), and lowest for the work–life balance condition ($r = .26$, $p < .05$).

These findings suggest participants did discern the intended shift of potential monetary earnings across the three pay policy conditions. Results of the primary analyses are summarized in Figure 1.

In support of our first research question, a main effect for job-posting conditions emerged, $F(2, 87) = 4.24$, $p < .05$, $\eta^2_p = .09$. As indicated by the estimated marginal means, the work–life condition ($M = 5.49$, $SE = .12$) was significantly more appealing relative to the market-match condition ($M = 4.96$, $SE = .12$, $p < .001$) and performance-driven condition ($M = 4.84$, $SE = .13$, $p < .001$), and the latter two conditions were not significantly different in their appeal ($p = .33$). No other main effects emerged. Of primary interest to our second research question, the predicted pay mix policy by gender interaction was significant, $F(2, 87) = 3.20$, $p < .05$, $\eta^2_p = .07$. Interaction results were graphed to further facilitate interpretation. The relative difference in job appeal between the work–life condition and the performance-driven and market-match conditions was greater for women, as predicted. Specifically, even though both men and women rated job appeal under the work–life condition significantly higher relative to the other two conditions, women did so at a significantly greater level than men.

Discussion

Effective strategies to recruit and retain a suitable workforce are critical to organizational success (Phillips & Gully, 2015). When faced with recruitment challenges, an automatic response by many firms is to increase pay level, an incentive that permits a temporary comparative hiring advantage that is often quickly competed away as other firms follow suit. For example, during the first half of 2015, many large corporations such as Aetna Insurance, Target, Wal-Mart, and McDonalds consecutively announced increased wages to attract and retain customer service workers (Gasparro & Morath, 2015; Mathews & Francis, 2015). Similarly, Carnegie Mellon raised salaries to retain and hire robotics scientists after Uber Technologies recruited many away with large hiring bonuses and higher starting salaries (Ramsey & Macmillan, 2015). Our findings suggest organizations should give closer attention to pay mix distinctions, an approach to total compensation
that is less easily imitated by other firms in the competition for talent because it requires a coordinated modification of multiple pay and benefit practices at the same time. Further, leveraging the incentive effects of pay mix before considering increases in pay level is a more cost efficient approach to compensation, which is an important consideration because employee wages and benefits are the single largest controllable cost for most organizations (Mathis & Jackson, 2011).

Our findings provide preliminary support for the stronger recruitment incentive effects of a work–life pay mix policy relative to a market-match and performance driven approach. The job posting that conveyed a work–life balance pay mix policy was rated as significantly more appealing by both men and women. Further, this pattern of preference was distinctly larger for women relative to men. The gender difference speaks to a timely recruiting issue. That is, even though the Internet allows organizations to reach a wider audience than ever before through online job postings, the added exposure does not necessarily translate into the gender-diverse applicant pool that organizations desire (Koudal & Chaudhuri, 2007). Women comprise approximately 47% of the U.S. workforce, based on the 2010 U.S. Census. Any firm that inadvertently underengages such a sizable segment of the labor market during recruitment hinders their access to top talent.

In terms of contribution to research, we invoke reinforcement and tournament theory concepts to construe job postings as conveying distinct pay mix policies that, in turn, convey the likelihood of work–life balance for potential job applicants. By identifying pay mix policy as the driving mechanism, we highlight a controllable way in which firms may positively influence the application rate of women. Extant research on gender differences in application decisions, on the other hand, commonly invokes group-identity and societal-norm related explanations (Barbulescu & Bidwell, 2013; Cooke & Xiao, 2014; Lent, Brown, & Hackett, 1994). These are valuable findings, but are not easily translated to specific recruitment practices. Our use of an incentive lens to explain applicant choice shifts the causal focus from the individual applicant to the employer, and specifically to changeable human resource practices.

For example, in practice, recall that the point of a pay mix strategy is to compete for talent by allocating the same compensation dollars differently among base pay, performance-contingent

*Figure 1. Job appeal as a function of job posting’s pay mix condition and participant gender. Error bars represent standard error. See the online article for the color version of this figure.*
pay, and fringe benefits. Therefore, an organization that goes beyond standard fringe benefits to emphasize work–life benefits would by budgetary default place less emphasis on monetary pay. Conversely, we conceived that low work–life balance is implicitly communicated by job postings that emphasize a performance-driven pay mix, and especially when conditions associated with tournament pay systems are cited. Tournament pay is a form of performance pay that rewards relative ranking rather than absolute levels of individual performance (Lazear & Rosen, 1981). Within organizations this typically takes the form of competitive promotion tournaments, which motivate employees to put in long hours and effort beyond what their present pay alone would justify (Avrahami, Güth, Kareev, & Uske, 2007; Uske, 2008; Brett & Stroh, 2003; Landers, Rebitzer, & Taylor, 1996).

Looking ahead, we note that this study was an exploratory step in understanding the incentive effects of pay mix policies for recruitment. Future research could strengthen and extend this effort in several ways. For one, it is important to measure actual application behavior, whereas we examined job appeal to gauge motivated choice. Confirmation of systematic gender differences in actual application rates due to pay mix policy could inform understanding of occupation segregation and the related gender wage gap. In order to enhance the generalizability of these findings, future research must consider additional labor market populations as well. The present sample was demographically diverse, but was not necessarily representative of active job seekers and, given the freelance status of the participants, was possibly biased in preference toward a work–life pay mix. Although this latter concern is tempered in that a majority of the sample were employees of an organization in addition to their freelance work.

To further extend the present model, compensation scholars could consider additional contingencies that may influence optimal pay mix configurations. For example, while we controlled for marital status and number of children, closer consideration of these and other life-stage variables has potential relevance. Finally, whereas we emphasized the broad incentive effects of pay mix policies in motivating choice preferences, tournament theory also speaks to sorting effects in attracting the right quality of employee. An extended model could encompass both the applicant quantity and applicant quality aspects by examining whether greater gender diversity in the number of applicants also enhances the quality of the applicant pool. In sum, we encourage practitioners and scholars alike to engage the motivational properties of pay mix policies.

References


