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# THE IMPACT OF COMPENSATION ON ENGAGEMENT AND ORGANIZATIONAL TENURE: THE MODERATING ROLE OF PERCEIVED ORGANIZATIONAL SUPPORT

A Thesis

Presented to

The Faculty of the Department of Psychology

San José State University

In Partial Fulfillment

of the Requirements for the Degree

Master of Science

by

Alexis Johnson

December 2020

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The Designated Thesis Committee Approves the Thesis Titled

# THE IMPACT OF COMPENSATION ON ENGAGEMENT AND ORGANIZATIONAL TENURE: THE MODERATING ROLE OF PERCEIVED ORGANIZATIONAL SUPPORT

by

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#### ABSTRACT

### THE IMPACT OF COMPENSATION ON ENGAGEMENT AND ORGANIZATIONAL TENURE: THE MODERATING ROLE OF PERCEIVED ORGANIZATIONAL SUPPORT

#### by Alexis Johnson

Compensation is a crucial tool utilized by companies to help attract, retain, and motivate employees. However, previous research has overlooked the ways in which compensation might add value to important employee outcomes such as engagement and organizational tenure. Therefore, this present study aimed to close this gap by examining the relationship between pay level and engagement, as well as pay level and organizational tenure. It was hypothesized that higher pay levels would increase the engagement dimensions of dedication, vigor, and absorption in an employee, and that higher pay levels would increase organizational tenure in an individual. It also sought to examine the moderating variable of perceived organizational support in both relationships. A total of 71 participants from a variety of organizations participated in the study. Results indicated that there was a positive relationship between pay level and absorption, such that higher pay levels increased amount of absorption. However, the other hypotheses were not supported. Additionally, no moderating effect of perceived organizational support was found in either relationship. The results of this study suggest that further research is needed to assess how influential compensation is as a predictor of positive organizational outcomes.

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#### Introduction

Compensation is a crucial component of business for both employees and employers. It has been shown to be associated with important consequences ranging from turnover, job performance, job satisfaction, and life satisfaction (Milkovich, Newman, & Gerhart, 2011). With its strong influence on these key outcomes, organizations have focused on compensation due to its potential for increasing overall profitability. Although many studies have found these relationships and similar ones, previous literature lacks in studying the association between compensation and employee engagement, as well as compensation and organizational tenure. Furthermore, there has been little research on possible moderating effects in these relationships. This current study focuses on the relationship of compensation and employee engagement and compensation and organizational tenure, and the possible moderating effect of perceived organizational support in both relationships.

#### Compensation

In an organization, arguably one of the biggest components of employee attraction, retention, and motivation is compensation. In this context, compensation may be defined as anything of value that is exchanged by the company for employee work; it consists of an implicit contract stating that the employee will work towards certain goals in exchange for rewards (Milkovich et al., 2011). This section will examine different types of compensation, how companies decide how to compensate employees, and how compensation has changed over time.

Milkovich et al. (2011) examined many different forms of compensation. Overall, there are two main categories of compensation: direct and indirect. The first category, direct compensation, includes fixed cash such as salary, allowances, and special payments, which are steady transactional forms of pay that are agreed upon and do not change often (Milkovich et al., 2011). This is the most typical type of pay that is referenced when compensation is examined.

Other popular direct forms of compensation include short and long-term incentives (Milkovich et al., 2011). Examples of short-term incentives include annual bonuses, profit sharing, and discretionary bonuses. Bonuses tend to look backward and award achievements in the previous fiscal year. On the other hand, long-term incentives tend to look forward as an investment in the employee's future work as potential money. Examples of long-term incentives include multi-year cash and equity. Equity can come in two forms – stock options or restricted stock – that are popular with higher-level employees. Restricted stock units (RSUs) are a form of equity that are granted at no price. An employee gains money when selling the stock; the higher the stock price, the higher the profit. RSUs differ from stock options in that they are typically granted at the price the stock is at one point in time and are only worth money if sold when the stock price rises. High participation rates in equity awards are common within certain industries such as high tech and amongst senior level employees such as Executives. Equity awards are utilized as an incentive to help the business grow and increase stock price, which in turn increases their financial gain.

In addition to direct compensation, indirect forms of compensation are also available to the employee (Milkovich et al., 2011). Indirect forms typically include benefits such as pensions, medical insurance, and programs that help with work/life balance such as day care discounts and gym membership. Indirect forms of compensation may also include relational returns and intangibles that include lesser-observed forms of exchange such as recognition and status, security, challenging work, and learning opportunities. These last variables are more psychological in nature than more traditional forms of compensation, yet are equally impactful.

Direct and indirect compensation fall under the larger umbrella of total compensation. For the purpose of this paper, compensation will be measured as salary, sometimes referred to as base pay. The reason for focusing solely on direct compensation is for accuracy and efficiency of a measure. In other words, the amount of pay will be clearly provided as a numerical amount, creating an objective source of data.

Compensation is agreed on and distributed in a variety of ways to employees. In broad terms, the salary an employee receives is determined by the company. More specifically, employees' salaries are often proposed by a manager and approved up the budget chain ending at the CEO. Companies may consider many strategic factors when deciding the amount of compensation allocated. For example, a company could concentrate on internal alignment, such as comparing the employee's job to the skill levels of other jobs or other employees in the organization. This internal alignment plays a factor in what is called pay discrepancy. Pay discrepancy theory is an extension of equity theory that refers to the discrepancy between the pay level of an employee and the

amount the employee believes he or she should be receiving (Dulebohn & Werling, 2007). Pay discrepancy focuses on the perception of pay when compared to others at the same hierarchical level, which is helpful in assuring perceptions of fairness between current employees. However, rather than relying on internal alignment, an organization may instead choose to put more emphasis on external competitiveness, focusing on what similar companies in the market pay their employees and trying to match or compete with these companies. This would help to attract employees from other companies if the organization's salaries are higher than the market.

A company may also determine employees' compensation using a mix of internal and external alignment. Such a mix may try to align employees fairly with each other while simultaneously looking to bring in new employees according to the market. This may be difficult if the company is consistently lagging the market (paying below market value). Finally, a company may decide to use neither internal nor external alignment; this might be a smaller company, such as a private practice, where there are a small number of employees who choose their own rate of pay. For example, a freelance employee or psychiatrist may choose to charge as much as he or she feels is necessary or justified.

How salaries are determined also depends on the organization's philosophy. For example, a company like Walmart is cost-cutting, and is more interested in saving costs than paying its employees well (Milkovich, Newman, & Gerhart, 2011). This would be an internal alignment approach in that companies are less concerned over losing their employees to a competitive market than having their employees feel equally compensated. Conversely, more inventive organizations such as Apple may be willing to

pay employees for innovative ideas and creative minds. Because of this, they may use market-based external alignment, providing above-market pay to attract the brightest minds. Paying above market is a very competitive strategy, one designed to attract top performers. However, some companies may pay for performance (pay contingent on performance where it can be measured, such as number of sales) rather than give standard regular increases (Milkovich et al., 2011). This is neither an internal nor external alignment, and attracts employees who would rather feel in control of how hard they must work in order to get paid. Often these jobs attract those who are more skilled at using self-motivation to earn a larger commission.

Companies have been shifting in how to pay employees. Early in the 20th century, companies mostly used internal labor markets as a standard for employee growth (Dulebohn & Werling, 2007). This type of strategy focused on employees entering an organization at the bottom of a hierarchy and following defined ladders in their career within that organization. It was typical to promote only from within and employees would spend the majority of their career at a single company. When determining compensation, internal labor markets were usually free from market influence, such that they focused more on internal alignment and consistency than competing against what other companies offered similar positions.

Starting in the 1980s, however, companies began paying employees based on the external market because of a shift in the relationship between organizations and employees (Dulebohn & Werling, 2007). It is believed that the causes of this change were mainly due to higher globalization and moving from a manufacturing economy to a more

service-based one with changes in technology and organizational structures. This dismantled the relationship between employers and workers where workers no longer felt a loyalty to stay with the company, and employers searched outside of their employees to replace jobs. Today, there is a very external market, such that employees jump from company to company, being influenced by the potential to make more money elsewhere. Thus, companies are now compensating employees based on certain job levels and skills rather than seniority.

Although compensation is acknowledged mostly as a concrete number, such as an employee's salary or changes in salary over time, it may also be considered in terms of how it is perceived by the employee. For example, pay satisfaction is another aspect of compensation, as it refers to the attitude toward one's pay level. Pay satisfaction may be defined as "the amount of overall positive or negative affect which individuals have toward their pay" (Chiu, 1999, p. 179). Based on discrepancy theory, pay satisfaction is a personal comparison between how much an employee is compensated (i.e., actual) and how much they would prefer to be compensated (i.e., expectation) (Li-Ping Tang, 1995).

#### **Compensation and Outcomes**

Although compensation may play a critical role in attracting, retaining, and motivating employees, the question remains of how important it truly is. Previous research has related compensation to certain vital employee outcomes. This section will be split into behavioral and attitudinal outcomes that have previously been related to compensation.

**Turnover and turnover intentions**. In previous studies, compensation has been linked to a myriad of employee behaviors. A key behavior that companies consider important is turnover. It has been shown that an employee's salary influences the decision of whether or not to remain at a company. One study focused on CEO's top teams and found that pay dispersion was positively associated with turnover (Ridge, Hill, & Aime, 2014). As pay dispersion refers to actual differences among employees' salaries due to variables such as work responsibilities and individual performances, this study suggests that the association to turnover may be due to feelings of inequity about pay. For example, pay dispersion between a CEO's top team may show that the Vice President (VP) of Sales has more stocks than the Vice President of Engineering because the CEO views sales as a more crucial aspect of the company.

Kuvaas, Buch, Gagne, Dysik, and Forest (2016) specifically examined pay-forperformance compensation (i.e., pay is contingent on performance that can be measured). One example of pay-for-performance is sales, as the number sold can be recorded. They compared the predictors of annual pay-for-performance, quarterly pay-for performance, and base pay level to the employee outcomes of self-reported work effort and turnover intention. This study was longitudinal, spanning two years with 700 sales people from a Norwegian insurance company. Results showed that the amount of base pay, or the employee's salary, was positively related to self-reported work effort and negatively related to turnover intentions, such that the higher the base pay, the less likely workers had intentions to leave the organization. Pay-for-performance was positively related to increased work effort, however, it was also positively related to increased turnover

intention. This was mainly due to the mediating effect of autonomous motivation. Autonomous motivation was found to be a mediator in both relationships, but in different directions. Autonomous motivation is considered doing something out of enjoyment, interest, values and meaning. Base pay was related to autonomous motivation positively, and this explained the increase in work effort. However, pay-for-performance had a negative relationship with autonomous motivation, and consequently a negative indirect relationship with work effort. As for turnover intention, base pay was mediated by autonomous motivation, such that there was a decrease in turnover intention when the mediator of autonomous motivation was high. However, because pay-for-performance was negatively related with autonomous motivation, there was an increase in turnover intention. It is interesting to note that the type of pay (base pay or pay for performance) might yield different outcomes in the employee, namely if a mediator such as autonomous motivation is involved.

A third study examined the relationship between pay satisfaction and turnover intention among employees in the semiconductor industry in Shanghai, China (Wang, Chen, Hyde, & Hsieh, 2010). This study defined turnover intention as "a conscious psychological willingness to leave an organization" (p. 875) and considered it to be the best predictor of actual turnover. The authors hypothesized that the higher an individual's pay satisfaction, the lower the intention to leave. The results supported the hypothesis, indicating that pay satisfaction negatively predicted turnover intentions, explaining 35.5% of the variance in turnover intentions.

Job performance. Another important behavior that compensation can influence is job performance. One study examined the relationship between compensation and resource efficiency, patient care outcomes, and financial performance at a hospital (Brown, Sturman, & Simmering, 2003). This study theorized that organizations with higher pay than other companies should increase individual and organizational level resource efficiency (i.e., the average length of a hospital patient's stay), patient care outcomes such as survival rate, and organizational financial performance or return on assets. This efficiency theory was supported, such that organizations with higher pay levels were found to have higher levels of resource efficiency and patient care outcomes (Brown et al., 2003). The reason that high pay levels had such positive effects could be due to attracting, maintaining, and motivating better employees. However, these effects were not linear, suggesting a limit exists such that more pay does not improve organizational performance any further. This study pointed to the importance of considering compensation when focusing on organizational performance.

Job satisfaction. Compensation has similarly been linked to employee attitudes. Job satisfaction has been defined by Locke (1976) as a "pleasurable or positive emotional state resulting from the appraisal of one's job or job experience" (p. 1297). Several studies have found significant positive relationships between amounts of pay and job satisfaction (Beutell & Wittig-Berman, 1999; Sanchez & Brock, 1993). A study on the Chinese army examined a group of employees before and after a pay increase (Yang et al., 2008). They found that before a pay increase, there was a low level of job satisfaction, which significantly improved after a pay raise. Results of a meta-analysis

showed that amount of pay was positively correlated with overall job satisfaction (Judge, Piccolo, Podsakoff, Shaw, & Rich, 2010). This study demonstrated that those making more money were more satisfied with their jobs than those who made less.

Life satisfaction. Life satisfaction is another crucial employee outcome. Life satisfaction has been defined as "the degree to which an individual judges the overall quality of his life favorably" (Veenhoven, 1999, p. 2). For the outcome of life satisfaction, mixed results have been found with compensation as a predictor. Johnson and Krueger (2006) believed the link between wealth and happiness derives from opportunities that arise with higher income. Thus, higher income directly affects life satisfaction, in that those with higher income can be selective in making choices and taking action that they believe improve their well-being. They indicated that although there was a direct link between income and life satisfaction, other variables might affect this relationship. For example, they suggested that a salary of \$50,000 may mean more to someone who grew up poor than someone who grew up wealthy, thus affecting the life satisfaction of a poorer person more than a wealthy person. Also, the degree of perceived control of one's life acted as a moderator in whether salary affected one's life satisfaction. Perceived control refers to the amount one believes he or she is in charge of his or her assets, either positively or negatively. Those who had high pay and high perceived control had a significant positive correlation with life satisfaction. Those with low perceived control, however, believed they could not affect their amount of pay as much, leading to a negative relationship with life satisfaction. This is because they believe they are unable to change their circumstances.

Interestingly, one study found a significant negative relationship between salary and life satisfaction (Young, Milner, Edmunds, Pentsil, & Broman, 2014). This was unexpected by the researchers, and they speculated that their results might be due to pressures and problems that may be a consequence of higher salary. For example, if an employee gets a promotion to a managerial position with higher pay, he or she may at first be happy about the pay increase but then become more stressed in the new position with increased responsibilities. Ultimately, this stress may be a bigger factor in life satisfaction than the increased pay. In other words, as work becomes harder and more complicated, each goal is met with a harder one which possibly leads to higher levels of discontent with one's life.

Although compensation has been found to be related to various behavioral and attitudinal outcomes, there has been a lack of research regarding the relationship between compensation and employee engagement. The concept of engagement has increased in popularity within the last decade as an important variable for organizations to consider, especially regarding competitive advantages (Rich, Lepine, & Crawford, 2010). Thus, it would be beneficial to explore the topic of engagement in relation to compensation. The next section focuses on the definition of engagement and previous work-related predictors of engagement.

#### **Employee Engagement**

Employee engagement has been defined in various ways. One of the more popular definitions of engagement is derived from Schaufeli, Salanova, Gonzalez-Roma, and Bakker (2002), who defined engagement as a positive work-related state of mind

comprised of vigor, dedication, and absorption. Vigor is described as high levels of energy and resilience and the willingness to invest effort and persistence. Dedication is a feeling of involvement in one's work, along with enthusiasm and significance, which is coupled with a sense of pride. Absorption is a state of full concentration, engrossment and attachment to one's work, feeling a sense of flow or focused attention during work. All together, these three components create an intense motivation in an employee.

While the above definition will be used for the study, it is important to look at engagement from a variety of dimensions and definitions to grasp any overarching themes. Kahn (1990) defined employee engagement as how much employees invest their energy into their work physically, cognitively, and emotionally. He also had three psychological conditions for engagement; psychological meaningfulness, psychological availability, and psychological safety. Psychological meaningfulness refers to a "feeling that one is receiving a return on investments on one's self in a currency of physical, cognitive, or emotional energy" (p. 703). The psychological availability condition refers to an individual's resources that allow for engagement to be possible; for example, being physically capable to perform a work task. Finally, the condition of psychological safety is "feeling of being able to show and employ one's self without fear of negative consequences to self-image, status, or career" (p. 708). This condition describes a feeling an employee has where he or she can make a mistake and is not be ridiculed for doing so.

Although employee engagement has been continuously linked to many key job attitudes and behaviors, it is often times studied as an outcome variable. One study (Shuck, Twyford, Reio, & Shuck, 2014) found human resources development (HRD)

practices such as investment in learning, mentoring programs, leadership initiatives and skill development were associated with higher levels of employee engagement. Similar to the idea of job resources, employees who believed their organization was supportive of them attending HRD activities were more likely to be engaged. This study specifically separated engagement into cognitive and emotional parts, and found that higher levels of perceived support for participation in HRD practices were positively related to both.

Another study looked at work engagement as an outcome of job resources (Bakker, Hakanen, Demerouti, & Xanthopoulou, 2007). This study defined job resources as "physical, psychological, social or organizational aspects of the job that are responsible for reducing job demands while stimulating personal growth and development" (p. 275). The study showed that certain job resources, such as supervisor support, innovativeness, information, appreciation, and organizational climate, contributed to higher engagement among teachers. Organizational climate and innovativeness may increase engagement because teachers feel they enjoy their coworkers and environment, as well as the opportunity to be creative and innovative.

As discussed earlier, compensation is an essential component in organizations. Although it has often been looked at from an organizational level, it can be applied to individual outcomes and behaviors. It has been found to predict several outcomes such as turnover, performance, and job satisfaction. In addition, employee engagement has been an increasingly popular topic of interest in the field of industrial and organizational psychology. Although compensation has been found to be related to a number of workrelated behaviors, there is little research relating compensation to engagement. There is a

gap in research regarding the direct link between amount of pay and how engaged an employee may be. Thus, one goal of this study is to examine whether there is a relationship between pay amount and employee engagement.

Additionally, with the myriad of definitions of engagement, it is important to consider each dimension independently and dedication, vigor, and absorption should not all be treated equally. As shown by the above definitions, there are a few different components under the umbrella of engagement. While none of these components explicitly overlap, there are some underlying themes. For one, they signify a state of motivation from the employee in that all engagement is by definition motivation. Another theme that stands out between Schaufeli et al. (2002) and Kahn (1990) is that of pride. Schaufeli includes pride in his dimension of dedication, such that one is prideful of his or her work when engaged. Kahn includes pride with the dimension of safety, such that a fear of a negative consequence is not present in engagement. With this overlap in the feeling of pride, it would be beneficial to question if compensation has a stronger relationship with dedication than Schaufeli et al.'s other two dimensions of vigor and absorption. Because there is not a strong commonality between the definitions of absorption or vigor, dedication will be singled out in this study.

Engagement as a whole has been found to be affected by other job resources. For instance, the above examples exemplified human resources development practices as well as supervisor support, innovativeness, and a few other job resources as predictors of engagement. It is possible to view compensation as a job resource in the definition of the JD-R model (Bakker et al., 2007; Demerouti, Bakker, Nachreiner, & Schaufeli, 2001) as

"those physical, social, or organizational aspects of the job that may do any of the following; (a) be functional in achieving work goals; (b) reduce job demands and the associated physiological and psychological costs; (c) stimulate personal growth and development" (Demerouti et al., 2001, p. 501). Studies above have indicated that compensation is an organizational aspect that may help achieve work goals such as better job performance and higher job satisfaction. Thus, because compensation may also indicate a positive effect on engagement, the following hypotheses will be tested:

*Hypothesis 1*: Pay level will be positively related to each of employee engagement's three dimensions of dedication, absorption and vigor.

*Research Question 1*: Is compensation's relationship with dedication stronger than its relationship with the dimensions of vigor and absorption?

#### **Organizational Tenure**

Tenure is another outcome employers hope for when hiring and training employees. The cost of having long-term employees is less than constantly needing to hire and train new ones for the same position (Gberevbie, 2008). Tenure, often also referred to as organizational tenure, has been defined as the time (typically measured in months or years) an employee has worked for an organization (Kim, 2018). In the job-hopping environment that is seen today, it is interesting to examine what motivators keep employees at one organization for an ample amount of time.

As an outcome, organizational tenure has been studied under a few different circumstances. One study examined whether organizational culture was correlated with employee tenure (Inabinett & Ballaro, 2014). The researchers asserted that retaining candidates begins at the recruitment and selection process such that recruiters first assess whether a candidate's values fit the culture of the organization. They hypothesized that by matching an employee's values with the culture, organizational tenure would increase. They also wanted to explore ways in which to avoid negative consequences such as turnover cost. The study showed a slight positive correlation between the organization culture and employee tenure. They also found that 55% of the participants believed matching their values to an organization's culture would influence their decision to remain at an organization.

In addition to organization-wide concepts such as organizational culture, research has also examined relationships between aspects of one's job and organizational tenure. One study (Gorman, Robinson, & Gamble, 2018) investigated if web-based video interviews for potential employees were associated with organizational tenure by using metaanalytic procedures. The standard asynchronous web-based video interview is often used to record an applicant's responses to a series of interview questions. These questions relate to constructs such as mental capability, knowledge and skills, basic personality tendencies, applied social skills, interests and preferences, and organizational fit. In a sample of 75 candidates, they found that the constructs of knowledge and skills and applied social skills were significantly and positively associated with self-reported organizational tenure. Knowledge and skills may be related to organizational tenure because employees learn more the longer they are in a certain role. As for applied social skills, having the ability to build better interpersonal relationships with other employees and supervisors may increase the likelihood of remaining at the company. Thus, having

greater job-related knowledge and skills and social skills may be related to longer tenure because those with these skills receive more promotions or simply more enjoy the organization in which they are employed.

Another study that included organizational tenure as an outcome examined the relationship between boredom proneness, defined as how easily one becomes bored in particular tasks, and tenure (Kass, Vodanovich, & Callender, 2001). They surveyed 292 workers from a manufacturing plant with a questionnaire to assess their boredom proneness. An interesting finding from the study was that high levels of job boredom were actually associated with longer organizational tenure. While this seems counterintuitive, they concluded that the repeated exposure to the same task might create less arousal and greater boredom but not necessarily greater interest in leaving one's job.

With organizational tenure as a goal that companies would like to consider when hiring and attracting employees, it would be beneficial to identify predictors of this variable. While studies have looked at predictors such as culture and interview processes, there is a gap in the research when it comes to compensation. It has not been explored as a direct cause of tenure, despite the emphasis compensation has on similar outcomes like turnover. One potential reason compensation could be positively correlated with job tenure is in part from the annual review and merit increase processes. If employees consider that year after year their compensation would increase, they might be more likely to stay longer at a firm. This is especially true if the company is paying competitively to the market. Another, more emotional, potential reason for the relationship is that individuals may attribute happiness to their amount of pay. If an

employee is getting paid highly, they may feel happier, and thus might be more likely to continue to stay at the company. Therefore, linking these two factors would be a crucial relationship to consider in this study. The following hypothesis will be tested:

Hypothesis 2: Pay level will be positively related to organizational tenure.

# Moderators of the Effect of Compensation on Engagement and Organizational Tenure

It is imperative to consider moderators when examining the relationships between compensation and engagement and organizational tenure. Because engagement is a rather complex concept, several variables may influence this relationship. In the study concerning job resources mentioned above, the amount of job demands (i.e. higher levels of pupil misconduct) was buffered by job resources when it came to the work engagement among teachers (Bakker et al., 2007). In other words, the otherwise negative relationship between pupil misconduct and engagement was moderated by job resources. When the teachers had a greater amount of job resources such as supervisor support, innovativeness, appreciation and organizational climate, they were better able to deal with pupil misbehavior and stay engaged. One reason that the job resources of organizational climate and innovativeness were effective moderators is by keeping the teacher's work interesting (Bakker et al., 2007) as well as creating less stress on teachers to do their jobs, regardless of difficult circumstances. This is an important example of how a company may be able to diminish otherwise negative consequences by providing substantial resources.

The importance of moderators in an engagement outcome is also pointed out by a study drawing insights from different practices (Zhang, Zhang, Dallas, Xu, & Hu, 2018).

Specifically, they studied the moderating role of employees' identification motivation in the relationship between HR practices and work engagement. HR practices in this relationship included the company providing ability-enhancing, motivation-enhancing, and empowerment-enhancing tools. By adding the moderator of identification motivation, defined as a person's ability to have intrinsic motivation and perceive themselves as a valued part of their job, they believed the employee would internalize the HR practices and as a result display higher engagement. Findings showed that higher identification motivation increased the positive relationship between HR practices and engagement.

Thus, it is not only important to consider engagement as an outcome of compensation, but to consider the possibility of moderators of this relationship. More specifically, moderators that are part of the work environment, such as challenges and job demands, are clearly important in engagement relationships. Thus, a variable such as perceived organizational support may be a possible moderator of the relationships between compensation and engagement and organizational tenure.

#### **Perceived Organizational Support**

Perceived organizational support (POS) can be defined as employees' perception that their well-being is taken into consideration by their organization (Eisenberger, Huntington, Hutchison, & Sowa, 1986). Employees personify their organization and take favorable or unfavorable treatment as an indication that the organization favors or disfavors them as an individual (Baran, Shanock, & Miller, 2012). POS is based on a social exchange relationship between an organization and an employee. Thus, there is a norm of reciprocity, such that if an employee sees the organization as treating him or her fairly, he or she feels an obligation to add value to the company. POS also fulfills the socio-emotional needs an employee feels in the workplace. For example, if an employee's superior is proud of the employee's accomplishments, the employee's self-esteem is boosted. POS also increases an employee's expectation that increased efforts on behalf of the organization will be noticed and rewarded. Thus, supervisor support and organizational rewards are key components of POS (Kurtessis et al., 2015).

Perceived organizational support has been linked to multiple positive employee behaviors such as attendance, in-role performance, and affective organizational commitment (Kurtessis et al., 2015). This is mainly due to the balance employees seek in their relationship with an organization. Employees are more committed and act more positively when they feel they are supported (Kurtessis et al., 2015). Ultimately, socioemotional needs such as esteem, affiliation, and emotional support increase the relational bonds and subsequent positive work behaviors by the employee.

Perceived organizational support has also been examined as a moderator in different work relationships. For example, one study (Palmer, Komarraju, Carter, & Karau, 2017) hypothesized that POS moderates the relationship between Dark Triad traits and counterproductive work behaviors (CWBs). The Dark Triad refers to the personality traits of narcissism, Machiavellianism, and psychopathy (Palmer et al, 2017). These traits have been consistently related to CWBs such as deliberately targeting an organization or people by engaging in actions like deviance, theft, abuse, and withdrawal (O'Boyle, Forsyth, Banks, & McDaniel, 2012). The results of this study indicated that those with

higher levels of narcissism and psychopathy engaged less in CWBs if they perceived the organization as supportive than employees who did not perceive the organization as being supportive.

In another study, POS was used as a moderator in the relationship between work accountability and job satisfaction (Wikhamn & Hall, 2013). Work accountability refers to employees expecting that their job duties and compliance with organizational norms will be assessed by coworkers. The hypothesis that work accountability relates positively to job satisfaction when POS is high, but accountability relates negatively to job satisfaction when POS is low, was supported. The reason for this moderating effect is because employees are affected by external factors from the company in day-to-day function. Thus, when employees feel that management cares about their opinions and well-being, they see the manager as noticing their efforts in accountability. When POS is low, they see their own accountability as more of a stressor, and thus are less satisfied. This exemplifies the importance of POS in everyday relationships and how it can be critical in affecting employee attitudes.

Finally, a third study used POS as a moderator of the relationship between high commitment HRM (human resources management) and job stress (Kang & Kang, 2016). High commitment HRM include perceptions about employment security, selective hiring, training, and status. They hypothesized that POS would be a moderator in the relationship between high-commitment HRM and job stress, such that higher POS would lower the amount of job stress. In other words, POS would influence the effect of the perception of high-commitment HRM on stress levels, lowering the stress if POS was high. When POS

was low, however, the stress of the employee would be higher at high perceptions of HRM. The results of this study supported the hypothesis and thus reaffirmed the importance of POS in certain work relations.

#### **Purpose of the Current Study**

POS has repeatedly been shown to influence relationships in the work environment. As the above studies indicate, when POS is high, there is typically an increase in positive outcomes for the organization. POS has moderated relationships that have reduced negative consequences such as stress and CWBs (Palmer et al, 2017). POS as a moderator tends to alter the effects of predictors significantly and should not be overlooked. If a company wants to increase a positive outcome such as job satisfaction or organizational commitment, they should consider how the employee views POS.

With this knowledge, it is critical to relate POS to other organizational outcomes such as engagement and organizational tenure. Entering POS into the relationship where compensation is an independent variable may alter to what degree compensation is influential in terms of engagement and organizational tenure. While compensation on its own seems to be a valuable predictor, it is possible that it could be even more so if coupled with a variable such as POS. In other words, an increased effect of compensation may take place, such that perhaps with POS, even lower levels of compensation make an impact on the outcomes.

This could be the result of having two benefits in a company; good pay as well as a feeling of support, especially if this support provides reason for an employee's compensation. For example, if a supervisor clearly explains that he or she believes in the

employee and will continue to challenge him or her, the employee may attribute the pay level as more fairly received, especially if it is high. This added feature of support and fairness could increase his or her engagement. If the employee feels the extra influence of support, he or she may want to reciprocate that same respect back to the company through higher engagement and dedication. Additionally, if POS is high, the employee may find more meaning in the company and will regard the company as continuously noting his or her extra effort. With this, he or she may enjoy staying longer at the company and accomplishing more because it will be driven by a feelings of positivity. POS is hypothesized to be a moderating factor in the compensation and engagement relationship, as well as the compensation and organizational tenure relationship.

*Hypothesis 3a*: POS will moderate the relationship between pay level and the three dimensions of engagement, such that there will be a stronger positive relationship between pay level and the engagement dimensions when POS is high than when POS is low.

*Hypothesis 3b*: POS will moderate the relationship between pay level and organizational tenure, such that there will be a stronger positive relationship between pay level and organizational tenure when POS is high than when POS is low.

If the hypotheses above are found to be supported, the information will be useful for organizations and hopefully help them see compensation, engagement and organizational tenure in a new light. Companies could possibly enhance what they know about the effects of compensation by adding additional resources such as POS training. Engagement and organizational tenure are very valuable outcomes to strive for, and

testing the compensation as a predictor and POS as a moderator will only further benefit companies when it comes to increasing these outcomes in employees.

#### Method

#### **Participants**

Participants for this study were obtained through my personal and professional networks. The sample consists of 71 employees from a variety of companies throughout the United States. To be considered for the study, the participant had to be over 18 years old and currently employed in a full-time job. Data were collected with an online Qualtrics survey provided through a link and distributed through social media sites. The survey consisted of engagement, compensation, perceived organizational support, and demographic information questions. Those who stated that they were not employed were excluded from the study. All answers were provided by employees working full-time, such that contracted or outsourced workers were unable to participate. The survey had no compensation for completion and every participant answered questions voluntarily.

Employees' age, gender, and other demographic variables were collected through the self-questionnaire and measured together with the above items. Frequencies of participant information are displayed in Table 1. The results of the survey showed out of all the participants, 79.2% were women and 20.8% were men. The age of participants ranged from ages 18 to 64 with an average age of between the range of 25 and 34 (76.4%). The other age ranges included 18 to 24 years (5.6%), 35 to 44 years (8.3%), 45 to 54 years (5.6%) and 55 to 64 years (4.2%). The sample consisted primarily of women participants in their mid 20s to early 30s.

In terms of years worked at their current organization, the majority responded as working one to three years (26.4%), with other respondents as less than six months

(19.4%), six months to one year (18.1%), three to five years (18.1%) and over five years (18.1%). This was an important variable to take into account because the tenure at an organization may influence how the participant viewed whether the organization had high or low perceived organizational support.

Table 1

Variable	N	%
Gender		
Male	15	20.8
Female	57	79.2
Age		
18 to 24 years	4	5.6
25 to 34 years	55	76.4
35 to 44 years	6	8.3
45 to 54 years	4	5.6
55 to 64 years	3	4.2
Tenure at Organization		
Less than 6 months	14	19.4
6 months to 1 year	13	18.1
1 to 3 years	19	26.4
3 to 5 years	13	18.1
Over 5 years	13	18.1
Time with Current Manager		
Less than 6 months	19	26.4
6 months to 1 year	22	30.6
1 to 3 years	22	30.6
3 to 5 years	7	9.7
Over 5 years	2	2.8

Demographic Characteristics of Participants

Those who worked with their current manager were mostly between 6 months and 3 years (61.2%) and the rest were less than 6 months (26.4%), between 3 and 5 years

(9.7%) or over 5 years (2.8%). While this variable was not as critical as the organization as a whole, it certainly may still have an influence on how the employee responds to engagement and perceived organizational support questions.

#### Measures

Compensation. The compensation scale measured the employee's rate of pay. This was a \$20,000 interval range of pay that the employee circled starting from a salary of < \$25,000 and ending > \$206,000. There were a total of 11 options; "less than 25,000 USD" (1), "26,000-45,000 USD" (2), "46,000-65,000 USD" (3), "66,000-85,000 USD" (4), "86,000-105,000 USD" (5), "106,000-125,000 USD" (6), "126,000-145,000 USD" (7), "146,000-165,000 USD" (8), "166,000-185,000 USD" (9), "186,000-205,000 USD" (10), "greater than 206,000 USD" (11). These ranges give insight into how high or low an employee's compensation is to help gauge how well the employee is paid.

**Employee engagement.** Employee engagement was measured in this study using the UWES Questionnaire scale (Schaufeli & Bakker, 2003). This is a scale consisting of 17 items that measures current engagement in the workplace. It is measured in three dimensions: vigor (six items), dedication (five items), and absorption (six items). Example items include "At my job, I feel like I am bursting with energy" (vigor), "I find the work I do meaningful and purposeful" (dedication), and "Time flies when I am at work" (absorption). The survey used a 5-point Likert scale where the respondents rated the extent to which they agreed to each statement. The scale ranges from *strongly disagree* = 1, *disagree* = 2, *neither agree nor disagree* = 3, *agree* = 4, and *strongly agree* 

= 5. The possible range for the amount of engagement was 1-5; with the highest score being the most engaged.

The responses to the 17 items were averaged to establish an overall total score for engagement as an outcome. The Cronbach's alpha of the responses across all engagement items was .89. This internal consistency reliability is high, indicating all items strongly related to each other and the concept of engagement.

Because there were also three distinct dimensions of engagement, Cronbach's alpha was used to determine the reliability of each dimension. Vigor had a low reliability ( $\alpha$  = .67), and the exclusion of any one item did not increase this reliability. As for dedication, Cronbach's alpha showed a fairly high internal consistency ( $\alpha$  = .83). The removal of any of the items did not increase its reliability. Finally, absorption was the third factor of employee engagement tested with a total of six items. Its internal consistency measured by Cronbach's alpha showed to be moderately high ( $\alpha$  = .77). Higher scores indicated that participants were more engaged with their work.

**Perceived organizational support.** A modified version of the Survey of Perceived Organizational Support (SPOS) (Eisenberger et al., 1986) was used to measure the employees' perceived organizational support in their current role. This is a 12-item scale that measured how the employee feels the organization is supporting his or her challenges and growth in the workplace. These items were chosen based on their category of either "well-being," "feeling replaceable," "extra effort," "understanding personal problems," "understanding goals," and "pay." Two items for each category were included in the survey. Some item examples are "My company cares about my well-being," "My

company strongly considers my goals and values," and "My company is unconcerned about paying me what I deserve." The scale utilized a 5-point Likert scale (*strongly disagree* = 1, *disagree* = 2, *neither agree nor disagree* = 3, *agree* = 4, and *strongly agree* = 5). High POS scores indicated that employees perceived their organizations valued them and cared about their well-being and growth. The responses to POS from the participants were averaged to create a complete score of POS. Cronbach's alpha was used to measure the reliability of this scale, and had an alpha of .89, indicating a strong consistency within the 12 items.

**Demographics.** This survey consisted of eight demographic variable questions. These questions assessed the participants' age, job position, gender, job tenure, level of experience for the current role, years worked with their current manager, and years of experience.

### Procedure

Data were collected through an online survey via Qualtrics that was distributed via a link. The online survey was posted to my social networking forums as well as through e-mail, that allowed participants to voluntarily click the link at their own convenience. The description of the survey informed the participants that this was to measure workplace behavior and was completely voluntary. The survey consisted of a total of 38 items, along with 8 demographic items.

The introductory page explained that no compensation was provided, that survey answers were completely confidential, and estimated the number of minutes it would take to be completed. This page also had a brief description of what was being asked in the

questions and clearly explained that they could stop answering questions at any time. This was open on Qualtrics for a few weeks for distribution and participation. After surveys were completed, the data from the 71 participants was carefully entered into SPSS Version 25 for statistical analysis.

#### Results

#### **Descriptive Statistics**

The means and standard deviations for the study's variables are provided in Table 2. These descriptive statistics were calculated to assess the centrality and variability of the variables. In terms of compensation, the average score of their compensation was between the ranges of 66,000 USD and 85,000 USD (M = 3.93, SD = 1.89). This indicates that the majority of participants had a pay level somewhere within this range, with a range that varied from 1 (< 25,000 USD) to 9 (between 166,000 USD and 185,000 USD).

Table 2

Means and Standard Deviations of Engagement and Perceived Organizational Support

Variable	Minimum	Maximum	Mean	SD
Compensation	1.00	9.00	3.93	1.89
Vigor	1.83	5.00	3.39	.59
Dedication	1.80	5.00	3.71	.77
Absorption	1.83	4.67	3.30	.69
POS	1.50	4.25	3.08	.67
Tenure	1.00	5.00	2.97	1.37

Note: Scale to indicate agreement to items was 1=Strongly agree and 5=Strongly disagree. N=71. POS = Perceived organizational support.

For the three dimensions of engagement, dedication had the highest mean (M = 3.71, SD = .77). This mean shows that employees only moderately felt dedicated in their work, or in other words, did not have either little or a lot of enthusiasm. The other dimensions had similar results, vigor at work (M = 3.39, SD = .59) and absorption (M = 3.30, SD = .59)

.69). This indicates that the participants had mostly neutral feelings in both these elements. For vigor, there was not a tendency for the participant to be either high or low in energy and persistence. As for absorption, there was not a strong tendency to be fully engrossed in one's work but also not completely distracted.

Employees rated perceived organizational support moderately overall (M = 3.08, SD = .67). This similarly shows that the average score of perceived organizational support was that of "*neither agree nor disagree*." This indicates that on average, employees felt that their company only moderately had their best interests in mind in terms of challenging work and room for growth.

Finally, for organizational tenure, the average length of employment for the employees was between 6 months to 1 year (M = 2.97, SD = 1.37). While this sample had a range of between less than 6 months and over five years, the average employee was relatively new to his or her jobs, with under a year experience.

### **Pearson Correlations**

Pearson correlation coefficients were calculated to examine the interrelatedness among the variables. Hypothesis 1 stated that pay level would be positively related to the three dimensions of employee engagement. As shown in Table 3, compensation was significantly correlated to the dimension of absorption (r = .34, p < .01). This suggests that those who were paid higher were more concentrated and engrossed in their work. However, compensation and dedication were not found to be significantly correlated (r = .14, p > .05), such that higher or lower compensation did not significantly influence whether employees were more or less dedicated to their work. As for the relationship between compensation and vigor, this similarly did not have a significant correlation (r = .12, p > .05), suggesting that there was no relationship between how energetic or persistent employees were and how much they were paid. Thus overall, Hypothesis 1 was only supported in the dimension of absorption. These correlations also answered Research Question 1 that asked whether compensation's relationship with dedication was stronger than its relationship with vigor and absorption; it was not.

Table 3

Variable	1.	2.	3.	4.	5.	6.
1. Compensation						
2. POS	.18					
3. Vigor	.12	.49**				
4. Dedication	.14	.57**	.81**			
5. Absorption	.34**	.59**	.40**	.56**		
7. Tenure	.04	40**	04	13	.07	03

#### Pearson Correlations Among Studied Variables

Note: N = 71. \*p < .05, \*\*p < .01.

Compensation did not show a relationship with organization tenure (r = .04, p > .05), meaning there was not a significant correlation between how long employees stayed at their jobs and how high or low they were paid. Consequently, Hypothesis 2 was not supported which stated that pay level would be positively related to organizational tenure. However, perceived organizational support had a significant negative relationship with organizational tenure (r = .40, p < .001). This exemplifies that those who perceived the company as supportive also worked at the company for less amount of time. Perhaps the employees had yet to conclude any reason that the organization did not have their best interest in mind, and perhaps the organization also was promoting all the opportunities that lay ahead. Working longer at the company may lead the employee to conclude those opportunities are not truly there. Perceived organizational support was also significantly and positively correlated with all dimensions of engagement. Overall, those who believed the organization had their best interest in mind were also engaged in their work in the dimensions of dedication, absorption and vigor. The strongest of these relationships was between perceived organizational support and absorption (r = .59, p < .001). Specifically, this signifies that feelings of support from the workplace increased employees' sense of flow and engrossment in the work.

Finally, all dimensions of engagement were significantly correlated with each other, but to different degrees. The relationship between vigor and dedication was the strongest (r = .81, p < .01), suggesting that involvement in one's work and a sense of pride was associated strongly with feelings of high energy and willingness to invest effort. The second strongest relationship was between absorption and dedication (r = .56, p < .01), suggesting that full concentration and engrossment was associated with enthusiasm and a sense of pride more than high energy and persistence, or vigor (r = .40, p < .01).

#### **Tests of Moderation Hypotheses**

Hypothesis 3a stated that perceived organizational support would play a moderating role in the relationship between pay level and each dimension of engagement such that when perceived organizational support is high, the relationship between compensation and each dimension will increase. A hierarchical multiple regression (MRC) analysis was conducted to test this hypothesis for each dimension, starting with dedication. This was conducted in three steps; the first step entered compensation to determine if dedication was significantly impacted. Second, POS was entered as an independent variable to test whether employees' perception of the company's support significantly increased their dedication at work. Lastly, the interaction of compensation and POS was entered in the third step to assess if POS played a moderating role in the compensation and dedication relationship.

Table 4 shows the analyses of all three steps. Compensation was entered first as an independent variable, and was found not to significantly contribute to the participants' levels of dedication,  $R^2 = .02$ ,  $R^2adj = .00$ , F(1,70) = 1.39, p > .05. In other words, compensation did not contribute to the participants' feelings of dedication, such that higher compensation did not necessarily translate to higher dedication. In the second step, POS was entered. It accounted for an additional 31% of the variance in dedication,  $\Delta R^2 = .31$ , F(1,69) = 32.47, p < .001. This shows that if employees believed the company had their best interests in mind, they would feel more dedicated to their jobs.

#### Table 4

*Hierarchical MRC for the Moderating Effect of Perceived Organizational Support: Dedication* 

Predictor	В	$R^2$	$\Delta R^2$
Step 1: Compensation	.05	.02	.02
Step 2: POS	.65 ***	.33 ***	.31 ***
Step 3: Moderator Compensation x POS	03	*** .33	.00
<i>Note: N</i> = 71. * <i>p</i> < .05, ** <i>p</i> < .01, *** <i>p</i> <	<.001.		

For the third step, the interaction between compensation and POS was entered to test for the moderating effect on the dependent variable of dedication. The analysis showed no significant change in adding the interaction variable to the direct effects of compensation and perceived organizational support,  $\Delta R^2 = .00$ , F(1,68) = .00, p > .05. Therefore, POS did not play a moderating role in the relationship between compensation and dedication, indicating that the level of POS did not influence the compensationdedication relationship. Even if POS was high, the higher compensation did not increase the amount of involvement or enthusiasm from the employee. As a result, Hypothesis 3a was not supported.

To compare dedication to the other two factors of engagement, an MRC analysis was conducted to determine if POS played a significant moderating role in the relationship between compensation and vigor and absorption. The first step in testing the variable of vigor began similarly to dedication, entering compensation into the model first, but with vigor as the dependent variable. Next, POS was entered in the second step to test if it had a significant relationship with vigor. Finally, the interaction between compensation and POS was entered to determine if a moderating relationship ensued. These results are shown in Table 5.

Table 5

*Hierarchical MRC for the Moderating Effect of Perceived Organizational Support: Vigor* 

Predictor	β	$R^2$	$\Delta R^2$
Step 1: Compensation	.04	.01	.01
Step 2: POS	.42 ***	.24 ***	.22 ***
Step 2: Moderator Compensation x POS	.07	*** .26	.02

*Note: N* = 71. \**p* < .05, \*\**p* < .01, \*\*\**p* < .001.

Compensation was entered first, and did not have a significant relationship with vigor,  $R^2 = .01$ ,  $R^2adj = .00$ , F(1,70) = 1.12, p > .05, revealing that compensation level did not increase nor decrease the amount an employee feels vigorous in their work. The second step of POS was then entered, and was found to have a significant incremental relationship with vigor, suggesting that high POS increased the amount of vigor employees felt in their work,  $\Delta R^2 = .22$ , F(1,69) = 20.61, p < .001. In other words, the more employees felt supported and challenged by the organization, the more they felt persistent and invested in their work.

When entered as an interaction, however, the moderator of POS did not have a significant relationship with the dependent variable vigor,  $\Delta R^2 = .02$ , F(1,68) = 2.09, p >

.05. Therefore, even if employees felt their POS levels were high, their vigor levels remained the same, regardless of their level of compensation. This suggests that even at higher compensation and higher POS, employees worked with the same amount of energy and resilience as if they felt there was lower POS and high compensation.

The next factor of engagement to be tested was absorption. A similar hierarchical MRC analysis was used to test whether POS played a moderating role between compensation and absorption, such that when POS was high, employees would feel increased concentration and attachment to their work and their levels of focused attention would increase. Once again, compensation was entered first into the model with the dependent variable of absorption. The second step entered POS alone into the model, and the final step entered the interaction of compensation and POS. These results are shown in Table 6.

Entered first in the model, compensation was found to account for 12% of the variance in absorption,  $R^2 = .12$ ,  $R^2$  adj = .10, F(1,70) = 9.53, p < .01. This suggests a significant relationship, indicating employees' compensation levels did increase their absorption in the work. In other words, higher compensation led to higher feelings of concentration and engrossment by the employee.

### Table 6

*Hierarchical MRC for the Moderating Effect of Perceived Organizational Support: Absorption* 

Predictor	β	$R^2$	$\Delta R^2$
Step 1: Compensation	.12**	.12**	.22**
Step 2: POS	.36**	.23**	.11**
Step 2: Moderator Compensation x POS	05	.24	.00

*Note:* N = 71. \* p < .05, \*\* p < .01, \*\*\* p < .001.

Next, the moderating variable of POS was entered and was found to have a significant incremental positive relationship with absorption,  $\Delta R^2 = .11$ , F(1,69) = 10.66, p < .01, accounting for an additional 11% of variance. This means that if employees felt their company had higher POS, they were more absorbed in their jobs.

Finally, the interaction between compensation and POS was entered last, and did not account for a significant amount of variance above and beyond the two direct effects of compensation and POS,  $\Delta R^2 = .00$ , F(1,68) = .76, p > .05. Therefore, similar to the other dimensions of engagement, POS did not play a moderating role in the relationship between compensation and absorption. Although higher compensation and higher POS were associated with higher absorption on their own, whether POS was high or low did not additionally influence the employee's absorption levels, regardless if they were paid highly.

Hypothesis 3b stated that POS would moderate the relationship between compensation and organizational tenure, such that higher compensation would lead to longer employee organizational tenure if POS is high as opposed to when POS is low. Again this was tested using an MRC hierarchical analysis. The first step entered was compensation, entered second was the variable of POS, and finally the third step entered the interaction of compensation and POS into the model. These results are shown in Table 7.

Table 7

*Hierarchical MRC for the Moderating Effect of Perceived Organizational Support: Organizational Tenure* 

Predictor	β	$R^2$	$\Delta R^2$
Step 1: Compensation	.03	.00	.00
Step 2: POS	87***	.18***	.18 ***
Step 2: Moderator Compensation x POS	.03	.18	.00

Note: N = 71. \* p < .05, \*\* p < .01, \*\*\* p < .001.

Compensation was entered in the first step and was not found to have a significant relationship with organizational tenure,  $R^2 = .00$ ,  $R^2adj = -.01$ , F(1,70) = .72, p > .05. Therefore, higher compensation did not translate into an employee staying at the company for a longer period of time than lower compensation.

The next step of POS did show a significant incremental relationship in helping predict organizational tenure,  $\Delta R^2 = .18$ , F(1,69) = 15.03, p < .001, however, not in the

predicted direction. Rather, this was a significant negative relationship in which those who had higher perceived organizational support indicated a lower organizational tenure.

The final interaction step of compensation and POS was not found to be significant,  $\Delta R^2 = .00, F(1,68) = .08, p > .05$ . Thus, the relationship between compensation and organizational tenure was not moderated by POS, and Hypothesis 3b was not supported. The amount of perceived organizational support did not influence the compensationorganizational tenure relationship. In other words, even if employees believed the company had their best interests in mind, this did not increase nor decrease how long they stayed when the compensation was high as opposed to low compensation.

#### Discussion

This study sought out to fill the gap in the literature in compensation by studying the relationship between compensation and engagement, particularly in the dimensions of dedication, vigor and absorption. Additionally, it intended to determine if there was a relationship between compensation and organizational tenure. Finally, this study examined whether POS would play a moderating role on the relationship between compensation and compensation and organizational tenure. This study contributes to the ongoing research evaluating compensation as a motivator and predictor of important organizational outcomes.

### **Summary of Findings**

Hypothesis 1 stated that pay level would be positively related to employee engagement. This was tested using each of the three dimensions of engagement; dedication, absorption and vigor. This hypothesis was only supported in reference to the dimension of absorption. This significant relationship indicates that those who had higher pay had higher states of concentration, engrossment, and attachment to their work, as well as feeling focused attention while working. One possible explanation for this correlation is that those with higher pay may have jobs that require many more hours of work and greater responsibility. Since the participants also held different jobs, it's possible the more complex and interesting jobs have higher pay. Therefore, more attachment and higher focus is needed to complete more complex tasks, and longer hours are required as well.

Pay level was not found to be significantly related to dedication, indicating that higher pay levels were not related to a feeling of involvement, pride or enthusiasm in the work. Therefore, even though an employee was being paid well (perhaps at a higher job rank and with more responsibility), this did not increase (nor decrease) the amount of pride and enthusiasm the individual felt at work. One explanation for this could be the lack of purpose – perhaps even a high powered job such as an engineer or a VP of Marketing may pay well, it may not necessarily be as meaningful to the individual as a job as a teacher or a nurse would be. Similarly, those who may decide to take lower paying jobs to fulfill their sense of purpose are likely not as concerned with pay, and are more in tune with the sense of pride they feel. A sense of pride and purpose is probably not determined by the amount of pay one receives.

Finally, in terms of vigor, how highly or poorly one was paid was not related to the amount of high levels of energy and resilience an employee felt. One potential reasoning for this finding is that those who are paid highly may have jobs with high stress and more responsibility, causing the levels of energy to deplete in them and eventually they will burn out. Conversely, a more novel employee may be more ready to invest effort and persistence despite the entry-level salary. Perhaps, individuals will not obtain the levels of energy and mental resilience from the compensation, but from the nature of the job itself.

Research Question 1 asked if compensation's relationship with dedication was stronger than its relationship with the dimensions of vigor and absorption. The answer to this question was that not only was there not a stronger relationship between

compensation and dedication, there was not one at all. In conclusion, it was absorption that actually had the stronger relationship with compensation than the other two dimensions. Originally, this question was asked because of the overlap in the engagement definitions between Kahn (1990) and Schaufeli et al. (2002).

Hypothesis 2 stated that pay level would be positively related to organizational tenure. Results from the study showed that there was no significant relationship between pay level and organizational tenure. Thus, Hypothesis 2 was not supported. These results indicate that an organizational tenure was not determined by the level of pay one receives. One possible reason that these two were unrelated could be due to the inconsistency in which many organizations pay their employees. For example, often times an employee who has been at the company for years receives a low salary increase, yet a new employee may have a starting salary that is higher and more competitive to the market. This causes internal inconsistency and unfortunately does not provide a solid foundation for paying long tenured employees appropriately. For that reason, longer tenured employees may be at a lower compensation than shorter tenured employees.

Hypothesis 3a stated that POS would moderate the relationship between pay level and the engagement dimensions, such that there would be a stronger positive relationship between pay level and the engagement dimensions when POS is high than when POS is low. This hypothesis was not supported and POS did not play a moderating role on the relationship between pay level and all three dimensions of engagement. One possible reason for the lack of moderating relationships is due to the sample's average responses on the dimensions of engagement. For all three dimensions - dedication, absorption, and

vigor - the average response was moderate. In other words, the sample as a whole did not show that employees felt strongly one way or another on any of the engagement levels. Therefore, it may be less likely that a moderating role was involved if the original relationship is not strong to begin with.

Hypothesis 3b stated that POS would moderate the relationship between pay level and organizational tenure, such that there would be a stronger positive relationship between pay level and organizational tenure when POS is high than when POS is low. Contrary to this hypothesis, POS did not play a moderating role in the pay level and organizational tenure relationship. Therefore, organizational tenure did not increase nor decrease depending on the amount of POS felt by the employee. One reason that POS may not have moderated this relationship is because those who are paid higher also may have higher-level jobs, such as a director or a VP. With these jobs, there tends to be less guidance from a boss or the organization, and more focus on their independent ability to lead others and accomplish tasks on their own. With that, they are unlikely to look for POS in the organization or from a boss, but rather create this POS in others. Organizational tenure would depend on other factors, then, and less on POS.

#### **Theoretical Implications**

The present study found pay level to have a positive relationship with the engagement dimension of absorption, although not with the dimensions of dedication or vigor. This is only partially consistent with past literature. One way in which it is consistent is in regards to the study by Young et al. (2014), who found a negative relationship between salary and life satisfaction. Similarly, higher compensation may not be the necessary

motivator for engagement, especially in regards to vigor, or feelings of high energy and willingness to invest effort.

As for absorption, or a sense of flow or full concentration, this study's findings are congruent with research that states engagement is a positive outcome of certain job resources (Bakker et al, 2007), and another study that found engagement to be a positive outcome of human resources development practices (Shuck et al., 2014). While pay level is not technically a human resources development practice such as an investment in learning or mentoring programs, it could be seen as a tool that invests in the employee's well-being by providing them with a more comfortable financial situation. A comfortable financial situation may provide motivation in the same way a development practice or a job resource that focuses on stimulating personal growth might.

Pay level was also not found to have a positive correlation with organizational tenure. This is inconsistent with past literature that states compensation is a motivator to certain job outcomes such as lower turnover intentions (Wang et al., 2010). However, one reason that may account for this difference is the notion of pay satisfaction. The literature concluded pay satisfaction was responsible for reducing turnover intentions (Wang et al, 2010). It is possible that it is pay satisfaction rather than pay level that accounts for positive organizational outcomes. More research would need to be done that tests not only the correlation between pay level and outcomes, but also pay level and pay satisfaction.

While POS on its own was related to both the dimensions of engagement and organizational tenure, it did not play a moderating role. This is inconsistent with previous

findings suggesting that it moderates other workplace relationships, such as that between the Dark Triad traits and counterproductive work behaviors (Palmer et al., 2007). One suggestion for why POS did not play a moderating role in either the compensation and engagement relationship nor the compensation and organizational tenure relationship may be due to the findings that neither were statistically significant alone. Although it was not a significant moderating role in this particular relationship, it should still be noted that POS indeed leads to the engagement of employees in an organization, which is consistent with how important of a factor it is.

#### **Practical Implications**

The findings of the present study suggest a few practical implications for organizations to consider. First, pay level's significant positive relationship with absorption should increase an organization's need to pay employees fairly and competitively if they want to see their employees engaged by means of full concentration and attachment to their work. However, the company should also note that it may need to find additional means to account for the other important dimensions of engagement, dedication and vigor. With this information, organizations may want to explore other options of attracting, retaining and motivating employees rather than relying on compensation alone.

Another important practical implication of this study is the importance of POS. While it was not found to be a moderator, it had significant relationships with both engagement and organizational tenure. What is more, POS was also found to have a positive relationship with all three dimensions of engagement. This indicates that if a company

wants its employees to feel more of an involvement in their work, as well as pride, enthusiasm and significance, the company could invest in managerial training that will provide knowledge in how to portray and increase POS. This is also true to raise resilience and willingness to invest effort or vigor in the employees. Additionally, along with compensation, increasing POS in a company may increase employees' feelings of engrossment and sense of flow in the workplace. The POS a company can provide involves setting up recognition programs that acknowledge and award employees for their extra effort, as well as provide a trajectory for each job so that moving up the chain is attainable and inspiring. This can be accomplished through HR learning and development programs. Another way to increase POS is by ensuring managers take the time to outline goals that are important to the employee and hold regular touch-bases to keep the employee on track and the communication open.

POS was also found to be significantly and negatively related to organizational tenure. One implication of the negative relationship is that is possible that those who believe their organization is challenging them in productive ways may still be new to the company (lower tenure length). Once a person has been at the company longer, his or her perceived organizational support decreases for one reason or another – perhaps learning the optimistic outlook was incorrect. The importance here would be to offer the employee a realistic view of how the company offers support and challenges from the beginning to assure they do not create any false expectations.

#### Strengths of the Study

One strength of this study was the separation of the definitions of engagement and their relationships to the predictor. By viewing each dimension individually, the study found more specific aspects of how pay level contributes to current and future research on improving engagement in employees. Relating each dimension with both pay level and POS offers a side-by-side comparison on what these predictors are influencing; from there, more research can hone in on exactly why this may be the case. This adds a unique contribution to the previous literature on compensation and outcomes.

#### **Limitations and Future Research**

There are a few limitations that should be addressed in this study. First, one weakness in the study that could not have been anticipated was that this was a point in time study. It only took into account someone's current salary, not their salary growth nor POS over time. If an employee answered right before a raise or someone's manager was just let go, these factors may have played into the results and were not accounted for. In order to solve this limitation, future research could create a longitudinal study that captures the data over a longer period of time.

Another limitation to consider in this study is the extent in which pay level was defined. This study focused on simply "pay level" using a range of salaries. Some organizations also consider indirect pay such as a generous benefits package as part of their overall compensation. In other words, while this study only asked for base pay as a level of compensation that would influence engagement and organizational tenure, it is possible that someone who is in need of other financial services such as healthcare or

dental and vision insurance would be influenced more by the company's benefits package than by a base pay level. Additionally, the study did not take into account stock amounts from the company, which is especially valuable to higher level employees as it provides more incentive to stay with the company longer (potential to vest) as well as can be a large additional amount of income. Future studies should take into account if they want to include these multiple facets of compensation into their analyses as predictors. Using a broader scope of the definition of pay level may increase knowledge in compensation, revealing more about what are influential factors in predicting positive outcomes such as engagement and organizational tenure.

An additional limitation in the study was the demographics of the data collected. As mentioned earlier, the majority of the participants were women, and this may skew the data as they do not account for both genders equally. The sample also had a relatively short tenure. Future research should include participants with a wide range of tenure. Additionally, the data were collected from only companies in the United States. For this study to be relative to other countries and cultures, the survey would need to be redistributed to a more diverse population. Using samples from different cultures and from non-western countries would be beneficial for future research to gain a broader scope of information.

## Conclusion

The goals of this study were to examine if compensation increases the dimensions of engagement and organizational tenure in employees, and if POS positively moderates these relationships. While the hypothesis was only supported in terms of the relationship

between compensation and absorption, and POS was not found to play a moderating role in these relationships, this study still has set up a base for future research to continue to explore the importance of compensation as a predictor in favorable organizational outcomes. It contributes to the current literature regarding the strength of POS, as well as how certain variables are in an organization's control to improve the levels of energy, involvement in one's work, and feelings of focused attention in an employee.

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# Appendix

# Demographic Items

What is your employment status?

□ Employed Full-Time

□ Employed Part-Time

- □ Unemployed
- □ Retired

What is your gender?

- □ Male
- □ Female
- □ Other: \_\_\_\_\_

Please fill in your job position title:

How long have you worked at your current organization?  $\Box$  Less than 6 months

- $\Box$  6 months 1 year
- $\Box$  1 3 years
- $\Box$  3 5 years
- $\Box$  More than 5 years

How long have you worked with your current manager?

- $\Box$  Less than 6 months
- $\Box$  6 months 1 year
- $\Box$  1 3 years
- $\Box$  3 5 years
- $\Box$  More than 5 years

How many years of experience do you have for

- your current role?
- $\Box$  0-1 Years
- $\Box$  1-3 Years
- $\Box$  3-5 Years
- $\Box$  5+ Years

What is your level of education?

- □ HS Diploma
- □ BS/BA
- □ MA/MS
- □ PhD or Higher

What is your age?

- $\Box$  18 24 years old
- $\Box$  25 34 years old
- $\Box$  35 44 years old
- $\Box$  45 54 years old
- $\Box$  55 64 years old
- $\Box$  65 74 years old
- $\Box$  75 years or older

What interval includes your gross base salary?

- □ <25,000 USD
- □ 26,000 45,000 USD
- □ 46,000 65,000 USD
- 🗆 66,000 85,000 USD
- □ 86,000 105,000 USD
- □ 106,000 125,000 USD
- □ 126,000 145,000 USD
- □ 146,000 165,000 USD
- □ 166,000 185,000 USD
- □186,000 205,000 USD
- □>206,000 USD

Do you receive stock in your company?

- $\Box$  Yes
- 🗆 No
- $\Box$  Don't know

### Scale Items

# **Vigor Scale Items**

At my job, I feel like I am bursting with energy. I feel strong and vigorous at my job. When I get up in the morning, I feel like going to work. I can continue to work for long periods of time without taking a break. At my job, I am mentally resilient. I persevere at my job even when things do not go well.

# **Dedication Scale Items**

I find the work I do to be meaningful and purposeful. I am enthusiastic about my job. My job inspires me. I am proud of the work that I do. My job is challenging enough.

# **Absorption Scale Items**

Time flies when I am at work. When I work, I forget everything else around me. I feel happy when I work intensively. I am immersed in my work. I get carried away when I work. It is difficult to detach myself from my job.

# **Perceived Organizational Support Scale Items**

My supervisors are proud that I am part of this company. My company cares about my well-being. If my company could hire someone to replace me at a lower salary, it would do so. If my company found a more efficient way to get my job done, they would replace me. My company fails to appreciate any extra effort from me. My company takes pride in my accomplishments at work. My company would understand a long absence due to a personal problem. My company ignores any complaints I may have. My company provides me little opportunity to move up the ranks. My company strongly considers my goals and values. If my company earned a greater profit, it would consider increasing my salary. My company is unconcerned about paying me what I deserve.