Impact of Salary Peak System on Job Motivation, Satisfaction and Loyalty

By

YeJi Kim

THESIS

Submitted to
KDI School of Public Policy and Management
in partial fulfillment of the requirements
for the degree of

Master of Development Policy

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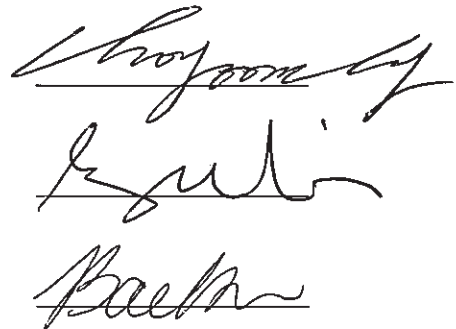
for the degree of MASTER OF

DEVELOPMENT POLICY Committee in

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Approval as of December, 2014

ABSTRACT

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Salary peak system has been developed for older workers to work longer instead of early retirement. Under this system, older workers will experience extension of retirement age, decreased salary, job position or status and etc. The purpose of this study is to explore the attitudes on salary peak system and job performance, satisfaction and loyalty. In particular, this study investigates ⅰ）effects of monetary variable (e.g, salary, incentive, pension); ⅱ）effects of the non-monetary variable (e.g, word of mouth, position, perceived job importance, organizational commitment); ⅲ）effects of performance; ⅳ）effects of overall attitudes on salary peak system on satisfaction; and ⅴ）effects of overall attitudes on salary peak system on loyalty. This study applied various theories or models to explain salary peak system, job performance, satisfaction and loyalty. For this study, Maslow's hierarchy of needs (1970), Fishbein's theory of Reasoned Action (1980), self perception theory (1964), exceptancy theory(1964), goal setting theory (1990), motivation-hygiene theory (1966), equity theory (1963) and job characteristics (1975) are applied to propose effects. In order to measure the findings, this paper conducted surveys, and applied statistical analysis using factor analysis and regression. The result opposed early expectation of salary peak system and showed how old worker's job motivation, satisfaction and loyalty or intention to leave are affected as initial concerns regarding this system. This study provides implications for management and public policy for better retirement system.

Keywords: Salary Peak system, Retirement, Re-employment, Salary, Pension, Motivation, Job satisfaction, Loyalty, Intention to leave

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I. Introduction

      Aging society means the increase of number of aging population whose age is over 60. Aging society is a widespread phenomenon occurred in many countries such as Japan, Korea and U.S. There are main reasons that cause aging society. For instance, social and cultural changes lead the decline of fertility and medical development helps the extension of life span. Governments and companies have been trying to develop policies and plans for aging society with consideration of diverse perspectives including demographical, economical, sociological, and political.

      Retirement has become a big issue in aging society. In general, most of public sectors as well as private companies had a seniority-based system with salary based on worker's tenure not on work performance (Hwang, 2006). Under this seniority-based system, retirement age was guaranteed until a predetermined certain age, which is called as age of retirement (The dictionary of public administration terms, 2009). There are also similar retirement systems determined based on years of labor or on age in position (The dictionary of public administration terms, 2009). However, as approached at aging society, there have been rising concerns of companies due to increasing labor cost from older workers. Previous retirement systems were not helpful to efficient management of labor cost. So companies started to reconsider about current retirement system and seniority-based system. This is because companies have a burden to manage elder workers with high salary under pay step or salary class system (The dictionary of public administration terms, 2010). In particular, private companies are currently trying to change the original system, instead, combining pay step system with performance-related system which determines salary based on job performance. It is another trial for companies to reduce cost burden for older workers under the seniority-based system. Moreover, retirement age at 60 will be forced by law in 2016 instead of just recommendations to companies (Korea Ministry of Government Legislation,

2014).

In particular, salary peak system has been introduced as a new retirement system in order to mange long tenure workers by reducing cost burden and to respond the law. Salary peak system is to cut wage at certain age, instead extend worker's retirement age (Ministry of Strategy and Finance, 2010). Salary peak system is currently used as a name of the system with wage peak system. Many researchers (e.g., Kim, 2005 and Han, 2012) studied salary peak system itself or the effectiveness of this system in Korea. There are also many international studies (e.g., Wachter, 2002 and Eichhorst et al., 2011) focusing on retirement or the relationship between retirement and pension system. In this study, it focused on the salary peak system by exploring psychological influences of elder workers after being applied to salary peak system. This study reviewed worker's psychological changes according to monetary and non-monetary change under salary peak system. In addition this study tried to explore how those change affect old worker's motivation, satisfaction and loyalty. To support this study, a number of well known theories from Maslow's theory(1970), Theory of reasoned action (1980), Self Perception theory (1965,1972), Expectancy theory (1964), goal setting theory (1990), Motivation-Hygiene theory (1966), Equity theory (1963) and Job characteristics theory. They are helpful to analyze the worker's changed attitudes after salary peak system. In addition, to those theories, there are three models used in this study. Four drive model, Job satisfaction and commitment model and Employee loyalty driver matrix are more concerned about changed performance, satisfaction and loyalty beyond just changed perceptions after salary peak system.

In order to analyze changes of old worker's attitudes towards salary peak system, this study categorizes two factors; monetary factors (salary, incentive and pension) and non-monetary factors (word of mouth, position or employment status, perceived job importance and organizational commitment). Also to explore this study, quantitative researches have

been preceded. For analyzing data obtained from quantitative researches, statistical methods such as factor analysis, regression analysis and chi-square were conducted.

Based on several supportive theories, models and quantitative methods, this study tried to examine the following research questions.

ⅰ）How do monetary factors such as wage, incentives and pension after salary peak system affect old worker's attitudes?

ⅱ）How do non-monetary factors such as word of mouth, position, perceived job importance and organizational commitment affect worker's attitudes towards salary peak system?

ⅲ）How do changed attitudes affect motivation on work performance?

ⅳ）How does changed motivation on work performance after applying salary peak system affect worker's satisfaction?

ⅴ）How does changed satisfaction after applying salary peak system affect worker's loyalty to job/company?

ⅵ）How does changed satisfaction after applying salary peak system affect old worker's intention to leave?

II. Literature review

Previous studies (e.g., Wachter, 2002 and Eichhorst et al., 2011) were focused on retirement and pension system. In addition, retirement and preretirement programs as a part of welfare policy were discussed in some studies (e.g., Kim, 2013 and Ebbinghaus, 2000). As many countries started to face aging, they have been practicing their own specific retirement programs to respond aging society. There are diverse types of retirement programs. Numerous studies (e.g., Ready-Mulvey and Delsen, 1996 and TIAA, 2012) have introduced several types of retirement programs such as gradual retirement, phased retirement and early retirement and its background. Among various types of retirement systems, there is a special

type, namely, salary peak system existed in countries such as Korea and Japan. Instead, other countries have different system under different name for retirement. So it is required to explore both Asian salary peak system and other country's retirement because they are all targeted at the old. This study more focused on newly applied retirement system, called salary peak system.

2.1 Overview of Retirement System

In the past, mandatory retirement was general among countries. Mandatory retirement enables employers to force employees to retire at a certain age (Wachter, 2002). Barker and Clark (1980) insisted that mandatory retirement was a policy for firms to get rid of older workers from their workforce even though they wish to work longer. Lazer (1979) also explained that mandatory retirement is employer's action to deal with reduced productivity of older workers, instead to promote opportunities for young workers. However, this system was abolished after the The Age Discrimination in Employment Act (U.S. Equal Employment Opportunity Commission). In this regard, Wachter (2002) insisted that abolishment of mandatory retirement created flexible retirement. After then, pension became alternative income for retirees. In addition to researches regarding previous retirement system, there are relevant studies which basically show the close relationship between retirement and pension. According to OECD (2011), affordability of pensions and financial sustainability should be considered in rapid aging society. In addition, it claims that retirement age is a visible indicator of pension system (OECD, 2011). Recent OECD report (2013) showed that most OECD countries have reformed their pension scheme in response to aging society. It (OECD, 2013) argued that those pension reforms go along with an increase of retirement age and incentives to work longer instead of early retirement. From the paper (Eichhorst et al., 2011) of European Parliament, the retirement age is extended and early retirement is

abolished by currently reforming its pension system in aging society. In this paper, as people work longer, it is believed that increasing the labor force will lower pensioner and pension expenditure from the perspective of public pension scheme. In this regards, issues related retirement are highly influential in pension system, vice versa. The below includes information of retirement with pension age among countries.

Table 1. Summary of Retirement age & Pension System in Global environment

Nation	Retirement Age	Pension System
Korea	In private sector, retirement age,55 Until 2017, retirement age should be extended until age 60 by law.	Pension is provided from age 65.
USA	Age Discrimination in Employment Act(ADEA)	Pension age has been extended from 65 to 67.
UK	Retirement age was abolished. On average, men at 65, women at 60 are retired (private sector). In general, blue-collar applied by voluntary retirement system, but White-collar applied by mandatory retirement.	Pension age is different from man and woman. Man: 65 Woman: 60
Germany	On average, men at 65, women at 60 are retired (private sector). Public officers are retired age 65. Termination of employment should be based on agreement, labor contract between employer and employees.	Pension age is the same as retirement age.
France	In private sector, retirement age is 65; public servants are retired at 60. Companies are having their flexible system for retirement.	Pension age is starting 60 or 65. In case of 60 as pension age, 25% of the highest salary during 10 years in office.
Netherlands	Retirement age will be extended from 65 to 67 until 2020.	Pension age will be increased to 67 under General Old-Age Pension Act.
Japan	In private sector, retirement age is 60 or 65 on average. Keeping retirement system with re-employment system	Pension age is extended from 60 to 65.

Source: http://www.hrm.or.kr

There are studies (e.g, Ebbinghaus, 2000 and showing diverse supporting programs for the retired people. Those programs are aiming at already retired people or pre-retirement workers. Ebbinghaus (2000) mentioned that highly available preretirement programs will be incentives for workers to retire and even early exit from work. In addition, early retirement programs will be preventive solutions to reduce many problems and psychological depression after retirement (Becker et al., 1983). For example, Netherlands government is running training programs for the old to help them be re-employed as certificated people (Maeil Business Newspaper, 2014). In this regard, Netherland's program is considered as making

older workers remained longer in labor market. Or this is called as 'Sustainability Employability Program' (http://oecd.mofa.go.kr, 2014). Similarly, U.S. has a program called 'JTPA (Job Training Partnership Act) Olden Worker Program. It is expected that opportunities of training or employment information will be spread among the old (JoongAng Ilbo Economic Research Institute, 2013). Somehow those programs sound effective for the old to be re-employed.

Besides, there is also a program called as voluntary retirement. This is considered as another approach of early retirement. Under this program, it allows employees to retire younger than mandatory retirement age with providing incentives and opportunities to restart new lives after retirement (http://definitions.uslegal.com).

2.2 Salary Peak System: A Special Case of Retirement System

There is a special retirement system called, 'Salary peak' as an improved retirement program. There is no clear concept for salary peak system. As a commonly used meaning for salary peak, it is an institution reducing salary, instead allowing workers to extend their retirement age or to be re-employed (Ministry of Employment and Labor). This system is often considered as a way of work sharing (Doopedia, 2014). Work sharing program is utilized in order to avoid layoff and instead to let employees rotate with reduced working hours and wages (Employment Development Department of State of California). Korea Credit Guarantee Fund (KODIT) first started salary peak system by applying this work sharing program. In the meantime, salary peak system of Korea is contrary to work sharing program because salary peak system is to reduce salary when the level of wage is at the peak under Ho-bong system (Lee, 2005).

Meanwhile, other countries are also starting to re-consider their retirement system for elderly workers. There are several types of retirement programs, which seems to start from

similar background. There is a type called 'gradual retirement program'. Gradual retirement allows workers to leave gradually and remain later (Ready-Mulvey and Delsen, 1996). In this paper, gradual retirement is a cost-effective solution by retaining mature skills of labor and their contribution. In U.S., there is another similar system, namely, phased retirement program. It allows employees working in reduced hours or using different their capacity after retirement (AARP, 2006). It is not an abrupt exit but a flexible retirement program. According to this report, this institution will be helpful for both businesses and workers to retain professional workers by keeping their contributions (AARP, 2006). From another definition of phased retirement system, it allows workers moving from full time jobs to no-paid work or part time jobs on the basis of projects (Anna, 2009).

Another name of phased retirement program is 'semi-retired', which provides workers options to reduce working hours instead of retirement while working as part time workers (http://humanresources.about.com). In fact, part-time is an only option for retiring workers under the phased retirement system. On the contrary, there is early retirement program as an opposite type of phased retirement system. Early retirement program is designed to reduce cost and employ new staff by inducing workers to retire early (TIAA, 2012). In U.K., there is a charity, Age UK, to support older people's life. According to this organization, it introduced some guides for older people who want to work beyond the retirement. It advised basically two options, 'staying in work 'against age discrimination law and 'flexible working' as working in reduced hours or different roles (Age UK, 2013). In the meantime, according to Nordic Socio-Statistical Committee, Danish law does not allow maximum age limit and instead agreements between employers and employees enable people to make decisions of retirement age (NOSOSKO). In addition, several pensions will highly influence retirement age in Denmark. Early retirement or working beyond the age of 65 is different with regard to pension benefit. Studies about Nordic retirement program tried to

explain old worker's retirement decision based on pension benefits.

2.2.1 Background of Salary Peak System

Before being discussed salary peak system, there is a type, so-called 'Compulsory retirement plan' or 'Age limit system', which have a certain retirement age until when workers have to work. There is also a special type, 'Ho-bong system' or 'Seniority based wage system', in which salary is determined to increase on the basis of position and how many years one has worked. Both were a typical scheme for most local companies in Korea. In the meantime, salary peak system is a regulative institution to compromisingly solve both labor cost burden for companies and worker's concern of job stability in early retirement age (Lee et al., 2012). Salary peak system is at the stage of development for new salary system to lighten cost load and to guarantee job security (Lee, 2005). So through this system, it would be a win-win strategy for both companies and employees (Byun and Kim, 2005). According to Han (2012), Salary peak system is introduced to maintain employment of the old in rapid aging and create flexible labor market in global era. Based on his opinion, Korea's present retirement system is no longer competitive. Moreover, needs of welfare services and financial resources for the old have been rising, but it is not easy to satisfy citizen's expectancy due to insufficient resources. Through salary peak system, job creation for older workers will be a solution as a welfare policy (Kim, 2013).

Table 2. Comparison Analysis of Retirement System and Salary Peak System

	Retirement System		Salary Peak System
	Age limit system	***Pay Step or Salary class[1]**	
Advantages	Both systems establish the order of rank, increasing worker's settlement and keep worker's expectancy for future career and stability for the life.		Under Salary peak system, it will increase flexibility of wage and keep old, but utilize accumulated career of older workers.

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[1] Pay step, salary class is the same concept as Ho-bong system in Korea. It has graded positions regardless of job and accordingly arrange wage.
(http://terms.naver.com/entry.nhn?docId=660082&cid=42152&categoryId=42152)

Disadvantages	They cause to increase labor cost and make workers be passive.	Instead, it will lower worker's loyalty and commitment due to reduced salary.
Similarity	It has an arranged age for retirement.	It has an arranged age for retirement.
Difference	Increasing salary until limited retirement age There is no change of job position under this system	Decreasing salary after certain age before retirement Demotion or change of employment status under this system

The table 2 is drawn by including previous system's disadvantages and new system's advantages. The reason of combining age limit system and Ho-bong system is that most companies which have Ho-bong system also have age limit system (Uh, 2014). According to his explanation, both systems are supporting each other even though it is not valid by casualty. As this table 2 shows, each system has merits and demerits. Although it is not true that salary peak system is perfectly established compared with age limit system and ho-bong system, but, salary peak system is established as the best alternative plan recovering disadvantages of previous systems (Park, 2009).

2.2.2 Cases of Salary Peak System in Korea

Salary peak system is not yet compulsory but optional in Korea. KODIT started namely, 'salary peak' system first in 2003. After, this system has spread mainly in public institutions, financial sectors and press. Recently, this system is rapidly spreading among private companies. The table 3 shows several examples of companies which have been practicing salary peak system. The following table 4 introduces some cases of companies who have a plan to introduce this system.   .

Table 3. Cases of Salary Peak system in Korea

Organization	Sector	Starting Year	Application of Salary Peak System
KODIT (Korea Credit Guarantee Fund)	Public / Financial sector	2003.07	- Convert appointment at age 55 - Cut salary annually at age 55
Woori Bank	Private /Financial sector	2005.01	- At age 55, basic annual salary will be calculated according to type of position (Privileged or regular position) - Practice support program for applicants

The Korea Development Bank	Public / Financial sector	2005.01	- After retirement, re-employ them as contract workers - Cut salary annually from previous salary
Munhwa Broadcasting Corporation	Private/ Media sector	2005.01	- Cut salary annually at 27th class salary - Calculate pension before cut of wage
Seoul Press	Private / Media sector	2005.07	- Standardized retirement age at 55 - Annual Salary system after director position
Taihan Electric Wire	Public/Manufacture sector	2003.11	- Re-employed after retirement with 10% reduced salary - Retirement age is extended until 60 - Applied to all production workers
Daewoo Shipbuilding & Marine Engineering co., Ltd.	Private /Industrial sector	2004.02	- Wage growth rate and bonus will be finalized at age 53~57 - Reduction of wage after retirement age, 57

Source: Retrieved from http://img.yonhapnews.co.kr/etc/press/PR/2005/0000536051025141922_1.pdf , July 25, 2014

Table 4. Planned cases of Salary Peak System

Organization	Sector	Starting Year	Application of Salary Peak System
Doosan Heavy Ind and construction	Private / Heavy Industry	2014	- In 2013, applied salary peak system to tech workers, in 2014, will expand the system to office workers - Age 57~58 with 85% of salary, age 59~60 with 70% of salary
Samsung	Private / Manufacturing	2016	- Retirement age will be extended until 60 - Cut 10% of salary annually - Bonus will be calculated based on cut wage
SK Hynix	Private / Manufacturing	2015	-Retirement age will be extended from 57 to 60 - Cut 10% of salary annually after age 58
Hyundai Engineering & Construction Co.,Ltd.,	Private / Construction	2015	-Retirement age will be extended from 58 to 60 - Cut 10% of salary annually after age 58

Source: Han, Sang Yeon, "두산중공업, 정년 연장자 '임금피크제' 시행, [Doosan Heavy, introduction of Salary peak system for extended retiree], *Asiatoday*, April 28, 2014, Retrieved from http://www.asiatoday.co.kr/view.php?key=20140427010015812 July 25, 2014.
Kim, Ki Dong, "삼성전자, 정년 60세 연장, 임금피크제 시행, [Samsung Electronics, Extension of retirement age until 60, practice of salary peak], *Segye Ilbo*, Feburary 27, 2014, Retrieved from http://img.yonhapnews.co.kr/etc/press/PR/2005/0000536051025141922_1.pdf , July 25, 2014.
Park, Chul Kun, "SK 하이닉스, 내년부터 정년 연장, 임금피크제 도입, [SK Hynix, extension of retirement, introduction of salary peak system], *Edaily*, July 1,2014, Retrieved from http://m.news.naver.com/read.nhn?mode=LSD&mid=sec&sid1=101&oid=018&aid=0003019391, July 26, 2014.

From investigating several cases, most of them have similar types of salary peak system. In the case of Japanese system, similarity could be found. There are two representative examples of Japanese company who had this system. First, Mitsubishi Electric has been carrying out salary peak system with re-employment policy. They allow workers to voluntarily make decisions for retirement age. People are able to be re-employed after

retirement as being applied to salary peak system, but there is no change of job position and working hours according to Mitsubishi's policy (Park, 2009).

2.3 Effectiveness of Salary Peak System in Korea

There are several papers or news to evaluate effectiveness of salary peak system in Korea. Some of them are expecting positive results of this system. Economic and Social Development Commission suggest that effective salary peak system will contribute to solving youth unemployment in Korea (http://www.esdc.go.kr). According to Samsung Economic Research Institute (2009), active utilization of salary peak system will reduce labor cost burden of companies. Based on real case such as salary peak system of Korea Credit Guarantee Fund, older workers are able to maintain their social status through working activities and expect rise in wage compared to early retirement (Lee, 2006). In Kim (2012)'s research, salary peak system enables older workers to work positively in spite of decreasing wage or lower position. Kim (2012) added that this will contribute to improve company's image and loyalty.

However, some papers show negative perspectives. From the article in a KDI issue (Kim, 2014), workers are opposing salary peak system since extension of retirement age should not be coincided with pay cuts. Workers also argued that extension of retirement age should be guaranteed as legal authority. A newspaper (Edaily, 2003) suggested that salary peak system will be easily misused for companies to reduce salary instead of increasing employment. The other newspaper (Newstomato, 2013) explained that salary peak system will cause conflicts between the financial circles and the labor world due to each other's disagreement. In addition, in Kim (2012)'s another phrase, salary peak system will create conflicts among generations or positions. In this way, there are both sides of expectations how salary peak system will affect in labor management world.

Ⅲ. Theoretical Background

There have been many theories and models, which could support to study salary peak system and its impact on job satisfaction and loyalty. In this chapter, seven theories and three models are reviewed. Following theories and models are related to system and its relationship with worker's behavior, performance, job satisfaction and loyalty.

3.1 Theories that Support This Study

3.1.1 Maslow's Hierarchy of Needs

Maslow's theory (1970) is the most fundamental study in regards to human needs, and it could be supported to investigate old worker's decision to salary peak system and behavior changes after being applied to the system. Also it could be utilized to study old worker's motivation. According to Maslow's theory of needs (Dawn, Jeff and Jan, 2000), there are basically five needs from lower level including psychological and safety needs to higher level of belongingness, esteem and self-actualization. This theory played an important role in human management. Avneet (2013) suggests that managers are required to support the highest level, self-actualization needs because workers eventually want to maximize self potential. In addition to Maslow's theory (1970), there is the need theory (1967, 1969) suggested by Alderfer. He tried to make three categories of needs instead of five needs; existence, relatedness and growth, which impact on employee's loyalty and performance (Trivellas, Kakkos and Reklitis, 2010).

3.1.2. Theory of Reasoned Action

There is a well-known theory regarding behavior study created by Fishbein and Ajzen. Based on this theory of reasoned action (1980), behavior is executed according to behavior intention, which is led by attitudinal factor and normative factor (Vallerand et al., 1992). This theory could be a useful tool to predict behavior based on those two factors (1991,

cited in Southey, 2011). In addition, this theory was extended as newly called as theory of planned behavior (Southey, 2011). According to Ajzen (1991), intention to behavior has three related factors; attitude, subjective norm and perceived behavioral control. Among three factors, Ajzen (1991) argued that perceived behavioral control is an important part, which makes different from the theory of reasoned action (1980). Perceived behavioral control with behavioral intention will lead actual doing, which could be a useful predictor for behavior performance (Ajzen, 1991). However, Downs and Hausenblas (2005) pointed out that those TRA (1980) and TPA (1991) have limitations not enough considering past experiences or expectation to behavior, which could be greater than intention to behavior.

3.1.3. Self Perception Theory

Before self perception theory, Schachter (1964) studied that one's emotional expression is an evidence showing combined internal attribution and manipulative power to external situation (cited in Bem, 1972). After, Self perception theory (1965, 1972) suggested by Bem focuses on behavior research, which explained that individual' attitudes, feelings and beliefs can be recognized through their behavior in external circumstances (Scott, 1978). This also indicates that initial behavior leads to future actions (Scott, 1978). Bem (1967) stated that verbal expression is a response technique combined self perception.

3.1.4. Expectancy Theory

Vroom's expectancy theory (1964) was one of representative theories in the study of work motivation (Van and Thierry 1996). Expectancy theory (1964) is more concerned about individual behavior motivated by expectation according to their effort and performance (Fred, 2011a). This theory plays a pivotal role in human resource management in terms of motivating workers (Fred, 2011a). This theory was extended by Porter and Lawler's model.

Expectancy theory (1964) suggests that there is a correlation between expectancy and motivation (Edward and Lloyd, 1973). Edwin created similar theory to this Expectancy theory, which is known as Affect theory (Hussain and Khalid, 2011). Affect theory also argues that worker's expectation towards work and what worker is getting from work affects worker's satisfaction and dissatisfaction (Hussain and Khalid, 2011). This theory could be adopted to expect old worker's motivation, satisfaction and loyalty based on their attitudes or perceptions on salary peak system.

3.1.5. Goal Setting Theory

In addition to expectancy theory (1964), there is a theory, goal setting theory suggested by Locke and Latham (1990; Latham, Borgoni and Petitia, 2011). High goal setting will lead high commitment and high performance, which has high performance cycle (Latham, Borgoni and Petitia, 2011). Several types of rewards are sources to facilitate high performance and satisfaction (Latham, Borgoni and Petitia, 2011). High goal setting would be an incentive for workers to achieve their goal. This theory is also linked to Vroom's expectancy theory (1964) with regard to goals and goal driven commitment (Locke, 1996). Locke (1996), however, insisted that too high goals are rather disincentives to workers, making them be discouraged.

3.1.6. Motivation-Hygiene Theory

Herzberg's motivation and hygiene theory is very famous in motivation and dissatisfaction studies (Hussain and Khalid, 2011). According to Herzberg's theory (1966) also called as two-factor theory, there are two factors; one is factors that make workers motivated from job itself and the other is factors that related to dissatisfaction caused by extrinsic to the job (Hong and Waheed, 2011). Chien (2013) provided examples of each

factors: hygiene factors such as salary, status, relationship with colleagues and job security; motivator factors such as achievement, recognition and growth. This theory (1959) suggested two separate factors; intrinsic and extrinsic motivation factors, however, current studies criticized this point, instead argued that integration between motivation and hygiene factors job satisfaction as well as dissatisfaction (Yusoff, Kian and Mohamed Idris, 2013).

3.1.7. Equity Theory

According to Equity theory suggested by Adams in 1963, workers expect fair return as their contribution (Reginald and Jeanette, 2012). When considering input and output, if employees feel that input and output are not equal, it causes dissatisfaction (Romanoff, Boehm and Benson, 1986). Pay equity as fair return to the job workers do could be an important indicator in this theory. Pay equity and pay satisfaction has strong relationship, which means that if workers believe that pay is fair with clear explanation from employers, workers will have high satisfaction (Zawahreh and Al-Madi, 2012).

3.1.8. Job Characteristics Theory

Hackman and Oldham created a theory called as job characteristics theory in 1975, which means that job and tasks shape how workers react to or perceive the work (Saif, Nawaz, Ali Jan and Khan, 2012). According to this theory, there are total five characteristics; 1) skill variety which requires diverse activities including a number of skills and talents of workers to work, 2) task identity which requires whole completion of work, 3) task significance as degree that affects other people, 4) task autonomy as degree how much the job provides individual with independence and discretion in working process, lastly, 5) task feedback as degree how much individual could know clearly and directly about their performance (Richard and Seog, 2000). Those five characteristics create meaningfulness and responsibility about outcomes and then worker's satisfied, motivated attitudes towards work

and lower absenteeism (Fred, 2011b). This could be measured as below formula (Fred, 2011b). According to Fred (2011b), this formula generates index that indicates which job has potential for workers to be motivated.

MPS (Motivating Potential Scale) = (skills variety + task identity + task significance)/3 * task autonomy * feedback

3.2 Models that Support Motivation, Satisfaction and Loyalty

3.2.1. Four Drive Model

In book 'Driven: How Human Nature Shapes Our Choices' written by Lawrence and Nohria (2002), they introduced four drive models of motivation; 1) The drive to acquire as motivated from clear reward system, 2) The drive to bond as motivated from mutual relationship, 3) The drive to comprehend that makes workers to contribute to job, 4) The drive to defend as motivated from transparent process and guaranteed rewards (Harvard Business Review, 2008). The table 5 shows four drivers that motivate workers. Bond among four drivers is related to relatedness needs suggested by Alderfer's ERG theory (1967, 1969), acquire driver and defend driver are similar to Expectancy theory (1964) and Equity theory (1963). In addition, comprehend driver is related to suggestions of Job Characteristics theory.

Table 5. Four drives

Drive	Primary Lever	Actions
Acquire	Reward system	1) Rewards based on worker's performance 2)Differentiate rewards to good performer compared to poor or average performer
Bond	Culture	1) Encourage sharing best practices 2) Foster mutual relationship
Comprehend	Job Design	1) Clear job design that makes worker to contribute to the job
Defend	Performance-Management & Resource- Allocation Process	1) Disclosed and transparent all processes, system, rewards 2) Fair reward system

Source: Nohria, Nitin, Groysberg, Boris and Lee, Linda-Eling (2008), "Employee Motivation: A Powerful New model," *Harvard Business Review*, July-August.

3.2.2. Job satisfaction and Commitment Model

For this study, it would be important to explore how older workers decide to keep employed or to leave work after salary peak system. As shown in Figure 1, Job satisfaction and commitment model will be able to show clear process from job satisfaction to worker's intention to quit.

Figure 1. Job satisfaction and Commitment Model
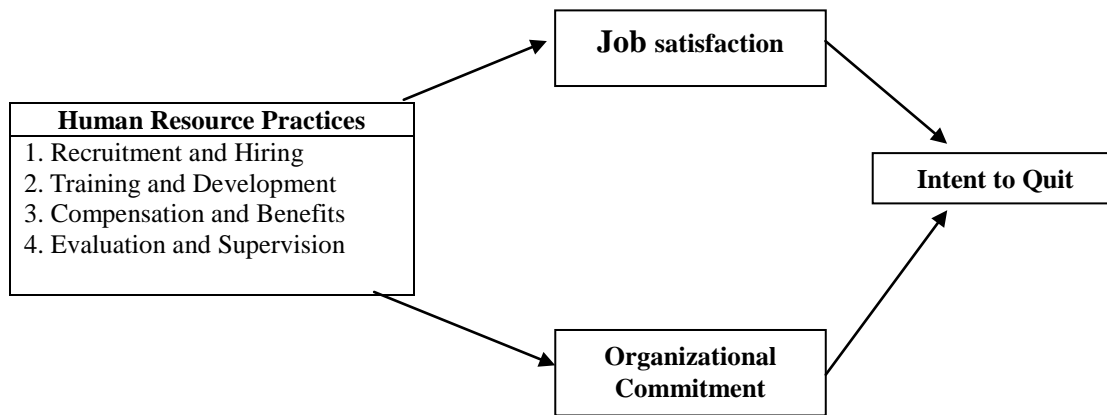
Source: Martin, J. Michael, Kaufman, K. Eric and Virginia Tech (2013), "Do Job Satisfaction and Commitment to the Organization Matter When It Comes to Retaining Employees?," *Journal of Extension,* Vol. 51, No.4, pp.1-8.

Even though this model does not show correlation among factors, it explains that job satisfaction and organizational commitment could be good indicator to grasp employee's intent to quit (Martin and Kaufman, 2013). It also let employers to find out which parts should be more focused on in order not only to improve job satisfaction and commitment but also to reduce worker's intention to quit (Martin and Kaufman, 2013). This model could be adopted for this study to what makes workers to maintain career instead of retirement and which factors make workers decide to retire in spite of salary peak system.

3.2.3. Employee Loyalty Driver Matrix

There is a matrix showing relationship between employee satisfaction and employee loyalty as table 6 shows.

Table 6. Employee Loyalty Driver Matrix

Impact on Employee Loyalty	High loyalty and low satisfaction **Key Drivers**	High loyalty and high satisfaction **Hidden Drivers**
	Low loyalty and low satisfaction **Weak Drivers**	Low loyalty and high satisfaction **Visible Drivers**

Employee Satisfaction with Work Attributes

Source: Hayes, Bob (2012), Using Driver Analysis to Improve Employee Loyalty, Business Broadway, Retrieved 09 September, 2014 from http://businessoverbroadway.com/using-driver-analysis-to-improve-employee-loyalty.

According to this matrix, it shows us four drivers; 1) satisfaction of the key drivers who have high loyalty and low satisfaction with work attributes could be improved if employer improves dissatisfied work attributes, 2) Hidden drivers as company's strength since they have high loyalty and high satisfaction, 3) Weak drivers which do not have considerable impact on loyalty and satisfaction, 4) Visible drivers with high performance, but low loyalty (Hayes, 2012). Although this matrix is originally made for business decision to improve employee loyalty, customer loyalty and business growth, this study makes full use of the relationship between employee satisfaction and loyalty in order to investigate changed attitudes after salary peak system.

Ⅳ. Hypotheses Development

In this study, salary peak system related factors are classified as monetary factor and non-monetary factor. Those two factors are brought as influencer on perception and attitude of salary peak system. As monetary factors, there are three factors; salary which is the most important factor directly affected by salary peak system, incentives and pension which are subsidiary factor fairly affected after salary peak system. On the other hand, there are non-monetary factors; word of mouth such as feedback from junior colleagues, job position or employment status, perceived job importance and organizational commitment. They could be important indicators to explore how those factors change old worker's perception towards

1 8

salary peak system and which factor is the most important factor to change perception on salary peak system. Changed perception and attitudes of salary peak system might cause changed behavior of older workers. First of all, job performance and motivation will be affected by changed perception of salary peak system. After then, affected job performance and motivation will influence on worker's satisfaction. Ultimately, their satisfaction will determine their loyalty; otherwise there would be increasing intention to quit of older workers. Through this paper, relationships between job performance, satisfaction and loyalty due to changed perception after salary peak system will be measured. The above framework was developed to support this study. Through this framework, figure 2, this paper will study integrational relationship from perception on salary peak system to behavior changes after salary peak system.

4.1 A Framework of This Study

Figure 2. A framework of this Study
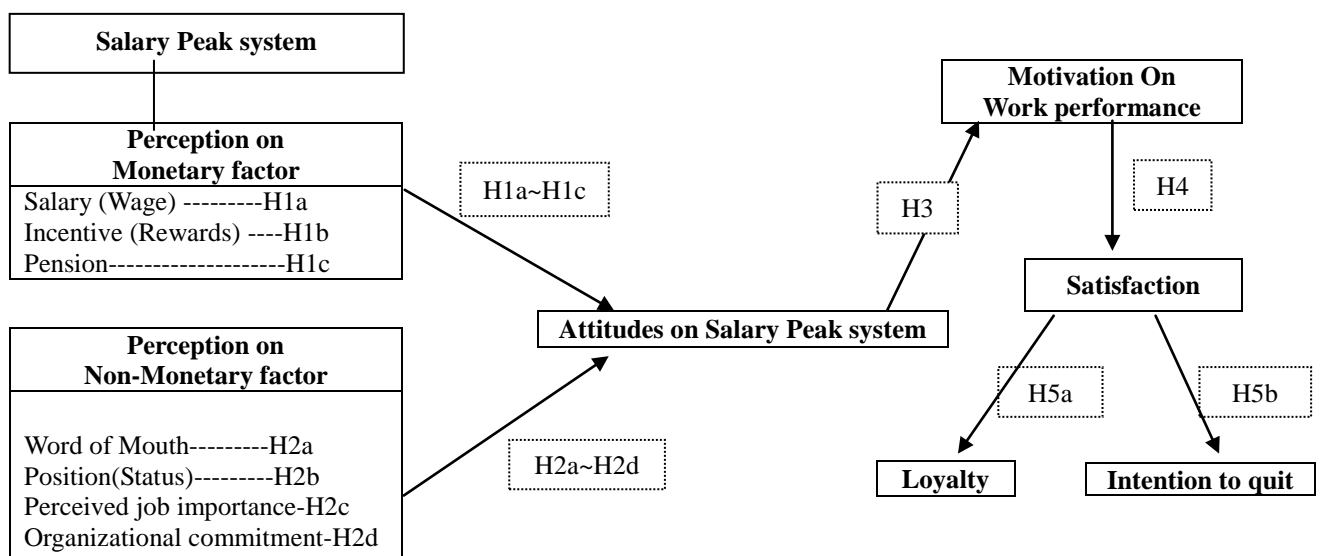
4.2 Hypothesis Development of This study

Through reviewing of relevant literatures and theories, this paper could make six research hypotheses based on the following categories: 1) the impact of changed wage on

attitudes towards salary peak system; 2) the impact of change of incentives on attitudes towards salary peak system; 3) the impact of change of pension due to extended retirement age on attitudes towards salary peak system. They belong to monetary area. In addition, 4) the impact of opinion from colleagues on attitudes to salary peak system; 5) the impact of changes of position or employment status on attitudes to salary peak system; 6) the impact of perceived job importance on attitudes to salary peak system; 7) the impact of organizational commitment on attitudes to salary peak system. They are related to non-monetary factors. After investigating impacts of monetary and non-monetary factors on worker's attitudes towards salary peak system, how those attitudes affect worker's motivation on job performance, satisfaction and loyalty after salary peak system. At this point, four more additional hypotheses could be developed as follows: 8) the impact of changed attitudes on motivation for work performance; 9) the impact of changed motivation for work performance on worker's satisfaction; 10) the impact of changed satisfaction on worker's loyalty; lastly 11) the impact of changed satisfaction on worker's intention to quit.

4.2.1. Effects of Monetary Factors on Attitudes towards Salary Peak System

Based on Expectancy theory (1964), expectation for contribution and performance will facilitate motivated actions. Zedelius et al., (2012) explained that monetary factor such as money is one of the most effective tools to lead actions and improves performance by making people prepare before they are actually in the process of rewarded tasks. If salary peak system is applied, there might be changes of salary, incentives and pension among monetary factors in return for extended retirement age. So this study will firstly investigate the effect of those three monetary factors such as salary, incentives and pension on attitudes towards salary peak system.

4.2.1.1. Effects of Changed Salary on Attitudes towards Salary Peak System

On the one hand, basically, salary is paid in return for one's labor. On the other hand, it is indicators of comparison with others, which determines job satisfaction (Clark and Oswald, 1996). If one believes that others who have similar capacity receive higher salary, then one would be dissatisfied (Al-Zoubi, 2012). This shows the close relationship between salary and job satisfaction. This could be an example of relative deprivation theory (Clark and Oswald, 1996). Employees tend to pay attention to pay changes because it could be a standard to predict how employers regard their employees compared to peers (Rynes, Gerhart and Minette, 2004). When peer salary comparison in the situation of disclosing salary information of all workers, they easily fall into dissatisfaction or discontent (Card et al., 2012). Pay level is highly related to pay satisfaction and job satisfaction (Judge et al., 2010). This study firstly focuses on salary among monetary factors to investigate the effects of changed salary on attitudes towards salary peak system. First hypothesis could be developed as follows.

H1a. Change of salary (increase or decrease) affects attitudes towards Salary peak system.

4.2.1.2. Effects of changed Incentives on Attitudes towards Salary Peak System

In addition to salary, there is another factor, incentive among monetary factors. Monetary incentives positively affect the links effort and performance (Bonner and Sprinkle, 2002). Mehta (2014) insisted that monetary incentives have close relationship with job satisfaction, when, for example, employee feel rewarded if they receive rewards equally or more than other colleagues based on their performance. From a study (Burgess and Ratto, 2003), incentives based on performance can motivate staff who can provide better service to the public. Monetary incentives are effective motivators to lead higher motivation and better performance (M.V., S.V. and L.M., 2010). The next hypothesis is about effects of changed

incentives on attitudes towards salary peak system.

H1b. *Change of incentive affects attitudes towards Salary peak system.*

4.2.1.3. Effects of changed Pension on Attitudes towards Salary Peak System

Retirement no longer means the end of working and many retirees want to work in later life (Merrill Lynch, 2014). Last factor is pension among monetary factors, which is related to retirement. Naegele, Dhéret and Thode (2013) explained that pension system rewards keeps people working longer and enables them to start a second career. Following hypothesis is to investigate effects of changed pension on attitudes towards salary peak system. If retirement age is extended due to salary peak system, how pension affect employee's attitudes will be studied.

H1c. *Pension system affects attitudes towards Salary peak system.*

4.2.2. Effects of Non-Monetary Factors on Attitudes towards Salary Peak System

Although monetary factors play an important role to affect attitudes, non-monetary factors should be considered at the same time. Motivation-Hygiene theory (1966) already proposed that non monetary factors could be effective tools with respect to motivation as much as monetary factors (Charity, A. and Timinepere, 2011). Non-monetary factors are also effective to attract, reward, motivate and retain workers (Abdullah, 2013). Non-financial rewards can change worker's behavior positively and bring good performance (Bari, Arif and Shoaib, 2013). This study examines altitudinal changes by focusing on non-monetary factors such as word of mouth, job position, job importance and organizational commitment.

4.2.2.1. Effects of Word of Mouth on Attitudes towards Salary Peak System

In case of word of mouth, this concept comes from chameleon effect. Perception on

other's behavior induces mimicry or imitation of one's next action unintentionally, which makes a cycle of social interaction as the Chameleon effect (Chartrand and Bargh, 1999). In fact, the concept of word of mouth is widely used in marketing area. Customer's experiences and perceptions towards good/service are spread through word of mouth whether positive or negative (Buttle, 1998). Taking this concept on behavior study, word of mouth influences other's attitudes and behaviors, so it is in the social relationship (Markus and Kitayama, 1991 cited in Buttle, 1998). Based on this, this study hypothesizes the effects of word of mouth on attitudes towards salary peak system.

H2a. Opinion from colleagues or juniors affects attitudes on salary peak system.

4.2.2.2. Effects of Position or Employment Status on Attitudes towards Salary Peak System

In regard of job position, position could be a motivator based on Vroom's expectancy theory (1964) and good performance gives promotion (Waskiewicz, 1999). Demotion could be a result penalized due to under performance (Van Dalen and Henkens, 2014). Job position means not only physical place among hierarchical structure but also performance related place.

In addition to job position, employment status is important in worker's motivation and satisfaction. Employment status, for example, refers permanent employment, contract employment or dispatched position. It is related to job security. Job security means worker's expectation towards job continuity at work (Davy, Kinicki and Scheck, 1997 cited in Eeden, Roos, 2008). If employment status is changed or job security becomes weaker, workers might feel job insecurity. Job insecurity could cause worker's dissatisfaction, weakened organizational commitment or dedication to the company because it breaks psychological contract between employer and employee based on psychological contract theory (Rousseau,

1995 cited in Witte, 2005). In this study, effects of position or employment status on attitudes towards salary peak system will be examined. So hypothesis could be developed as below.

H2b. Change of position (employment status) affects attitudes on salary peak system.

4.2.2.3. Effects of Perceived Job Importance on Attitudes towards Salary Peak System

Job importance refers that how much workers consider job and how much important this job for them. The higher autonomy in job is allowed, the more workers consider their abilities and skills as important roles (Parker, 1998 cited in Morgeson, Delaney-Klinger and Hemingway, 2005). Furthermore, job enrichment would be increased if workers can participate in decision making and control over the job (Parker, 1998). Based on strong job autonomy and job enrichment, workers seem to think that their job is an important part of the organization. Considering one's perceived job importance as one of non-monetary factors, this study investigates effects of them on attitudes towards salary peak system.

H2c. People have different attitudes towards salary peak system based on their perceived job importance.

4.2.2.4. Effects of Organizational Commitment on Attitudes towards Salary Peak System

In addition to one's perceived job importance, there is another non-monetary factor in the study, which is organizational commitment. Organizational commitment refers to the degree of involvement in the organization (Suma and Lesha, 2013). Higher organizational commitment enables worker to make extra efforts and to engage in organizational goals (Neyshabor and Rashidi, 2013). Organizational commitment is a very crucial factor in organizational profitability since high commitment brings good performance (Yasar, Emhan and Ebere, 2014). Thus, this study focuses on the effects of organizational commitment on attitudes towards salary peak system investigating with below hypothesis.

H2d. *People have different attitudes towards salary peak system based on their organizational commitment.*

4.2.3. Effects of Attitudes towards Salary Peak System on Motivation for Job Performance

Through Expectancy theory (1964) and goal setting theory (1990), it is clear that high expectation and high goal will lead workers to be more motivated toward high job performance. Utman (1997) insisted in his paper that high pressure of motivation to goals facilitates high performance. Manager's primary duty is to motivate workers to achieve organizational goals effectively and efficiently (Azar and Shafighi, 2013). Byun (2013) argued that extended retirement age will affect worker's motivation and loyalty. So third hypothesis is to study changes of motivation on job performance after salary peak system.

H3. *Negative attitudes towards Salary peak system has negative impact on motivation on work performance.*

4.2.4. Effects of Motivation for Job Performance on Satisfaction

Utman (1997) also argued that highly motivated involved and self-determined person derive better performance and higher satisfaction. His ideas have something to do with goal setting theory (1990) and Maslow's theory (1970) in terms of self-achievement, which is highest level among needs in the theory. Job satisfaction refers worker's attitudes towards their job (Pandey and Khare, 2012). Or job satisfaction is the degree of how much workers like the job, so it would be motives to approach goals (Karimi, Malik and Hussain, 2011). Already performance and satisfaction became important keys for success of organizations. In this behalf, there is a system, so called as performance appraisal. This is now commonly used in order to assess worker's behavior and performance under the name of human resource

management (Sudin, 2011). This fundamental purpose is to boost good performer and to improve poor performer (Sudin, 2011). Considering the importance of performance and satisfaction, this study will also measure the relationship between work performance and satisfaction after salary peak system. This study will measure that how affected job performance after salary peak system trigger worker's satisfaction in what way. Thus, the fourth theory could be developed as follows.

H4. *Decreased motivation for work performance causes worker's dissatisfaction to work.*

4.2.5. Effects of Satisfaction on Loyalty and Intention to Leave

4.2.5.1. Effects of Satisfaction on Loyalty

Even though it is arguable which one is precedent between satisfaction and organizational commitment, past studies found that job satisfaction could be a crucial predictor of organizational commitment (Pandey and Khare, 2012). Based on expectancy theory (1964), workers expect their achievement to be rewarded such as for bonuses, promotion or recognition. Positive relationship between satisfaction and organizational commitment will be fallen into a broader meaning of loyalty (Pandey and Khare, 2012). Workers who are highly satisfied and devote themselves to job might have high loyalty and vice versa. Furthermore, high loyalty guarantee high retention of employees for organizations, but low loyalty makes high intention to leave. Intention to turn over could several meaning, for example, better career development in a positive way, retirement in a neutral way, or self decision due to dissatisfaction in a negative way (Arshad, Masood and Amin, 2013). However, in this study, the relationship between dissatisfaction after salary peak system and intention to leave will be reviewed. Hence, the sixth hypothesis for the relationship between satisfaction and loyalty and negatively derived second hypothesis could be developed.

H5a. *Job dissatisfaction causes decrease of loyalty.*

4.2.5.2. Effects of Satisfaction on Intention to Leave

Contrary to higher loyalty of employees, employees sometimes have intention to leave. In a study conducted by Basak et al., (2013), it is found that satisfaction directly affects intention to leave, so highly satisfied employees would be less likely to intend to leave their work. Dissatisfaction of workers will trigger to quit their job, and then cause to increase turnover intention (Choi et al., 2012). In addition, employees who have low loyalty are also expected to leave (Wan, 2012). In this study, if workers who are not satisfied with changed conditions under salary peak system, how they react whether stay or leave their work will be investigated. The last hypothesis is to study the relationship between satisfaction and intention to leave.

H5b. Job dissatisfaction causes workers to have intention to leave.

Ⅴ. Methodology

Salary peak system is gradually spread around private as well as public companies. Since 2005, 17% of companies introduced salary peak system and several big companies such as Samsung, SK and Hanwha have plans to practice this system in near future (Na, 2014 and Hong, 2014). However, many still hesitate to actively introduce this system due to many difficulties and concerns related labor issues. Not only physical issues of cost and law but also psychological factors should be examined in order to help soft landing of salary peak system. In this regards, the quantitative surveys are designed to request worker's attitudes and opinion on salary peak system.

5.1 Methodology for Quantitative Research

The main aim of quantitative research in this study is to measure attitudes towards salary peak system and its impact on worker's motivation, satisfaction and loyalty. In detail, this study, first, examines effects of monetary factors such as salary, incentive and pension on attitudes

towards salary peak system. Secondly, this study investigates effects of non-monetary factors such as word of mouth, job position, perceived job importance and organizational commitment. Further, this study investigates links among motivation on work performance, satisfaction, loyalty and intention to leave.

This study used a survey methodology to collect data. Among distributed 166 people, total 132 respondents participated in this survey, with a response rate, 81%. All respondents are chosen only in Korea since this paper only focuses on this salary peak system instead of general retirement system. The questionnaire in the survey mainly consists of two major parts to ask opinions based on attitudes towards salary peak system according to monetary factors and non-monetary factors and psychological factors such as motivation, satisfaction and loyalty. This study applied a five-point Likert scale with higher numbers indicating higher levels (5) of negative feelings such as 'strongly disagree' or 'least dissatisfied' and with smaller numbers (1) representing higher levels of positive feelings such as 'strongly agree' or 'highly likely'. The items in the survey are developed from previous studies (Zedelius et al., 2012; Charity, A. and Timinepere, 2011; Utman, 1997; Pandey and Khare, 2012 and Basak et al., 2013) and famous behavior related theories (Maslow's theory, 1970; theory of reasoned action, 1980; self-perception theory, 1965; Vroom's expectancy theory, 1964; Herzberg's theory, 1966; equity theory, 1963 and job characteristics theory, 1975). These items are modified to support the aim of this study.

Ⅵ. Data Analysis

6.1. Respondents Demographics

Sample population of this survey stratified based on age, gender, marital status, job classification, educational background, annual income, job tenure and labor union status. Of 132 respondents, 70.5% are male and 28% are female. More than 60% are married people.

Around 18.9% are between ages of 20-29 years old; 39.4% are between ages of 30-39 years old; approximately 31.8% are between ages of 40-49 years old; 6.8% are between ages of 50-55; lastly 56-60 or over 60 years old are around 1.5%. As respondents between 20s and 30s hold a majority, responses obtained from them mainly come from workers who are before retirement or being applied of salary peak system. In addition, more than 90% have a graduate degree (40.9%) and a master degree (50%). In terms of annual income, about 16.7% receive less than forty million won; 36.4% less than sixty million won; 17.4% less than eighty million won and lastly only 13.6% earn more than one hundred million won. In regard of job ranks, total 44% are at the position of assistant manager and manager; 15.9% are general managers, while making up the rest as the position of director or public officer. Almost 30% are working at financial sector or public organizations. Only 12.9% have 1-3 years of working period; 21.2% have 3-5 years; 20.5% have 5-10 years of seniority; even around 28% have 10-20 years of seniority and lastly 15.2% have more than 20 years of working period. Lastly, in case of responses based on whether or not their companies have labor union, there is an almost fairly equal distribution as 53% versus 46%.

6.2. Hypotheses Testing

For hypotheses testing, firstly, *Cronbach's alpha* is applied, which could provide reliability for multi-item scales. This study found that relatively high *Cronbach's alpha* for monetary factors and non-monetary factors. The *Cronbach's alpha* for the effects of salary on attitudes toward salary peak system shows 0.89, the effects of incentives has 0.85, job position or employment status (0.83), job importance (0.60), organizational commitment (0.76) and overall attitudes towards salary peak system (0.85). This study also applied factor analysis to examine the validity of constructs. "Using principal components analyses as the extraction method and Varimax rotation methods with Kaiser Normalization, the most relevant data emerged" (Cho, 2013). In this study, mainly four parts came out as 1) monetary

factors (salary, incentive and pension); 2) non-monetary factors (word of mouth, job position, job importance and organizational commitment); 3) attitudes towards salary peak system; 4) motivation, satisfaction and loyalty. These factors are grouped under relevant variables with Eigen values over 1.00. Following table 7 shows Eigen values of each part based on principal components analysis. Each variable related to hypotheses in this study is highly supported by factor analysis.

Table 7. Factor Analysis for Effects of Monetary factors on Attitudes toward Salary peak system
1) Total Variance

Component	Initial Eigenvalues	
	Total	% of Variance
1	3.827	76.539

Extraction Method: Principal Component Analysis

2) Component Matrix

Effects of Monetary Factors on Attitudes towards Salary Peak System	Component
	1
How much do you agree change of salary due to salary peak system?	.909
Under salary peak system, how much do you agree on cut of wages in place of deferred retirement?	.881
How much do you agree change of incentives provided by company due to salary peak system?	.869
How much do you agree salary peak system if incentives are reduced?	.866
When salary peak system is applied, how much do you agree salary peak system when considering pension?	.848

Extraction Method: Principal Component Analysis

Table 8. Factor Analysis for Effects of Non-monetary factors on Attitudes toward Salary peak system
1) Total Variance

Component	Initial Eigenvalues	
	Total	% of Variance
1	4.539	56.742

Extraction Method: Principal Component Analysis

2) Component Matrix

Effects of Monetary Factors on Attitudes towards Salary Peak System	Component
	1
How much are you likely to choose salary peak system if job importance is devalued due to changes from salary peak system?	.818
When salary peak system is applied, how much do you agree salary peak system when your employment status is changed?	.795
How much do you agree change of position due to salary peak system?	.765
How much are you likely to choose salary peak system if your commitment to organization is devalued due to changes from salary peak system?	.765
Under salary peak system, how much do you agree on demotion in place of deferred retirement?	.753
How much are you likely to choose salary peak system according to your commitment to your organization?	.743

	.725
Under salary peak system, how much do you agree on change of employment status (from regular worker to contract, fixed term, dispatched worker) in place of deferred retirement?	
How much are you likely to choose salary peak system according to job importance in your life?	.651

Extraction Method: Principal Component Analysis

Table 9. Factor Analysis for Effects of Word of Mouth as a Non-monetary factor on Attitudes toward Salary peak system
1) Total Variance

Component	Initial Eigenvalues	
	Total	% of Variance
1	1.113	55.662

Extraction Method: Principal Component Analysis

2) Component Matrix

Effects of Monetary Factors on Attitudes towards Salary Peak System	Component
	1
When salary peak system is applied, how much do you agree salary peak system when considering pension?	.746
How much do you agree salary peak system when you hear something negative from colleagues?	.746

Extraction Method: Principal Component Analysis

Table 10. Factor Analysis for Overall Attitudes toward Salary peak system
1) Total Variance

Component	Initial Eigenvalues	
	Total	% of Variance
1	2.734	68.361

Extraction Method: Principal Component Analysis

2) Component Matrix

Overall Attitudes towards Salary Peak System	Component
	1
How much do you overall evaluate salary peak system?	.898
How much do you believe salary peak system itself?	.835
How much do you think that salary peak system is important for retirement plan?	.826
How much do you like to work with workers who choose salary peak instead of retirement?	.740

Extraction Method: Principal Component Analysis

Table 11. Factor Analysis for Links between motivation on Job performance, Job satisfaction and Loyalty or Intention to leave after being applied to Salary peak system
1) Total Variance

Component	Initial Eigenvalues	
	Total	% of Variance
1	5.043	72.044

Extraction Method: Principal Component Analysis

2) Component Matrix

Overall Attitudes towards Salary Peak System	Component 1
After being applied to salary peak system, how much do you believe that loyalty to job would be increased?	.908
After being applied to salary peak system, how much do you believe that job satisfaction would be increased?	.906
After being applied to salary peak system, how much do you believe that motivation would be improved compared to previous status?	.894
After being applied to salary peak system, how much do you believe that you are eager to work?	.887
After being applied to salary peak system, how much do you believe that loyalty to your company would be increased?	.855
After being applied to salary peak system, how much do you believe that your work performance would be improved compared to previous performances?	.836
After being applied to salary peak system, how much are you likely to have intention to leave your company?	.617

Extraction Method: Principal Component Analysis

This study applied regression analyses using factor scores for the effects of each monetary or non-monetary factor on attitudes towards salary peak system. As shown in the following table 10-12, the effects of monetary and non-monetary factors on attitudes towards salary peak system and its impact on motivation, satisfaction and loyalty are all accepted.

Table 12. Summary of the Effects of Monetary factors towards Salary peak system

Variable (Independent -> Dependent)	Standardized Coefficient
Salary -> Attitudes toward Salary peak system (H1a)	0.689 (10.681 ***)
Incentive-> Attitudes toward Salary peak system (H1b)	0.606 (8.630 ***)
Pension -> Attitudes toward Salary peak system (H1c)	0.712 (11.481***)

*** Significant at 0.01 level (2-tailed test)

Table 13. Summary of the Effects of Non-Monetary factors towards Salary peak system

Variable (Independent -> Dependent)	Standardized Coefficient
Word of Mouth -> Attitudes toward Salary peak system (H2a)	0.407 (5.016 ***)
Position or Employment status-> Attitudes toward Salary peak system (H2b)	0.616 (8.788 ***)
Perceived Job Importance -> Attitudes toward Salary peak system (H2c)	0.610 (8.705 ***)
Organizational Commitment -> Attitudes toward Salary peak system (H2d)	0.632 (9.260 ***)

*** Significant at 0.01 level (2-tailed test)

Table 14. Summary of the Effects of Attitudes toward Salary peak system on Job Motivation, Satisfaction, Loyalty and Intention to leave

Variable (Independent -> Dependent)	Standardized Coefficient
Attitudes towards Salary peak system -> Motivation on Job performance (H3)	0.687 (10.668 ***)
Motivation on Job performance-> Job Satisfaction (H4)	0.830 (16.833 ***)
Job Dissatisfaction -> Loyalty (H5a)	0.791 (14.607 ***)
Job Dissatisfaction -> Intention to leave (H5b)	0.523 (6.943 ***)

*** Significant at 0.01 level (2-tailed test)

Overall, the results of the ANOVA in the case of the effects of monetary factors on attitudes towards salary peak system found the models significant at the 0.01 level with p =.000, F = 114.077 (*r-square* = .475). In case of the effects of non-monetary factors on attitudes towards salary peak system, this model is significant at the 0.01 level with p =.000, F =85.756 (*r-square* = .399). So all effects are resulted as significant and alternative hypotheses based on monetary factors (H1a~H1c) and non-monetary factors (H2a~H2d) are supported, even though there are differences of level between two factors. Furthermore, this study also found the result of links from attitudes towards salary peak system to motivation, dissatisfaction and loyalty or intention to leave through ANOVA. According to the result of the analysis for the relationship from attitudes towards salary peak system to motivation on job performance found that this model is significant at the 0.01 level with p =.000, F=113.804 (*r-square* = .473). The result of the relationship between motivation on job performance and job dissatisfaction indicated that this model is significant at the 0.01 level with p =.000, F=283.365 (*r-square* = .689). Thus, H3 and H4 are accepted in this study. Regarding the result of the relationship between job dissatisfaction and loyalty, the model is also significant at the 0.01 level with p =.000, F=213.371 (*r-square* =.625), so H5a are supported. Lastly, this study also found significant results as 0.01 level with p =.000, F=48.209 (*r-square* = .274). This study accepted H5b. Table 15 shows summary of the results.

Table 15. Summary of the Results (H1-H5)

H1	**H1a.** Change of salary negatively affects attitudes towards Salary peak system	**Accepted**
	H1b. Change of incentive negatively affects attitudes towards Salary peak system	
	H1c. Pension system affects attitudes towards Salary peak system	
H2	**H2a.** Opinion from colleagues affects attitudes towards Salary peak system	**Accepted**
	H2b. Change of position (employment status) negatively affects attitudes on Salary peak system	
	H2c. People have different attitudes towards salary peak system based on their perceive job importance	
	H2d. People have different attitudes towards salary peak system based on their organizational commitment	
H3	**H3.** Negative attitudes towards salary peak system has negative impact on motivation for job performance	**Accepted**
H4	**H4.** Decreased motivation on job performance causes worker's dissatisfaction	**Accepted**
H5	**H5a.** Job dissatisfaction causes decreases of loyalty	**Accepted**
	H5b. Job dissatisfaction causes workers to have intention to leave	

Ⅶ. Conclusion

7.1 Discussion and Implication

The purpose of this study is to investigate salary peak system and its impact on employee's behavior. Based on the proposed model, attitudes towards salary peak system and its impacts on motivation, job satisfaction and loyalty or intention to leave after being applied to salary peak system are measured. As stated earlier, this study measured the effect of three monetary factors 1) the effects of changed salary on attitudes towards salary peak system; 2) the effects of changed incentives on attitudes towards salary peak system; 3) the effects of changed pension on attitudes towards salary peak system and the effect of four non-monetary factors 4) the effects of word of mouth on attitudes towards salary peak system; 5) the effects of position or employment status on attitudes towards salary peak system; 6) the effects of job importance on attitudes towards salary peak system; 7) the effects of organizational commitment on attitudes towards salary peak system. Next, this study also measured 8) the effects of attitudes towards salary peak system on motivation for job performance; 9) the effects of motivation for job performance on satisfaction; 10) the effects of satisfaction on loyalty, lastly, 11) the effects of satisfaction on worker's intention to leave.

Through this analysis, it is proved effects of monetary and non-monetary factors on attitudes towards salary peak system. Major three monetary factors such as salary, incentive and pension affect worker's attitudes towards salary peak system. Changed monetary factors, especially, in case of reduction, negatively affect attitudes towards salary peak system. Also, non-monetary factors such as word of mouth, job position or employment status, perceived job importance and organizational commitment are proved as important factors to affect attitudes towards salary peak system. Respondents tend to have negative attitudes towards in case of changed non-monetary factors under salary peak system. In fact, the effects of monetary factors showed slightly higher level than the effects of non-monetary factors. This

means that monetary factors are significant determination factors to salary peak system. This study extended to measure the relationship from attitudes towards salary peak system after such changes of monetary and non-monetary factors to motivation on job performance, job satisfaction and loyalty or worker's intention to leave. Negative perception and attitudes towards salary peak system also tend to negatively affect motivation, satisfaction, loyalty and intention to leave. Whereas motivation, satisfaction and loyalty to work and company are reduced, worker's intention to quit finds increases. Results also show decreased motivation for job performance and increased the level of dissatisfaction, disloyalty and intention to quit.

This study has managerial implications. Introduction of salary peak system became an important issue for human resources management as companies importantly consider older workers and retirement in aging society. Many companies actually introduced salary peak system or some are planning to start this system according to spontaneous intention by company itself or government's recommendations. Whatever induces businesses to consider salary peak system, it is not just cost management related employee's retirement, but human resources management considering employee's psychological factors. In addition to cost management by reducing salary or incentives, companies should think how to manage employee's motivation, satisfaction and loyalty which could be affected under salary peak system. This is because employee's psychological constructs influence company's performance. According to Naseem, Sheikh and Malik (2011), Employee's satisfaction determines organizational success. How companies manage employee's behavior is the crucial key of successful salary peak system. In this regards, this study contributes the measurement of the relationship between salary peak system and employee's attitudes. This study closely looked into streams from starting points of salary peak system to behaviors after being applied to this system.

The results of this study provide us with academic and theoretical implications. Most

applications of motivation, satisfaction and loyalty theories and models investigated in customer behavior studies. According to Mohsan et al., (2011), businesses can no longer exist in competitive environment without customer's satisfaction and loyalty. This study expands the concept to employee's motivation, satisfaction and loyalty or intention to leave in organizational behavior by exploring employee's attitudes. Unlike previous studies related salary peak system (Ju, 2012; Park, 2009 and Uh, 2012), this study started investigating effects of monetary factors and non-monetary factors on attitudes to salary peak system. This study also scrutinized how negative attitudes towards salary peak system affect worker's motivation, satisfaction and loyalty. The result of hypotheses test showed worker's negative attitudes towards salary peak system have negative impact on their psychological factors.

For implications of public policy, salary peak system has been developed in order to effectively manage older workers in fast aging society (Government's employment plan for the aged, 2014 cited in http://news.mk.co.kr/). In addition to the proposed retirement plan by government, salary peak system was considered as a solution to support people who are near at retirement age. However, salary peak system should be improved by considering issues such as financial and legal to maximize employee's satisfaction and loyalty. Motivation, dissatisfaction, disloyalty and increased intention to leave should be importantly considered for public policy decision making on retirement system.

7.2 Limitation of Study and Future Research (Suggestions)

Despite of seemingly supportive findings, this study has some limitations. First of all, sample size is not enough to standardize the results for all workers' behavior. And this study did not compare behaviors by each classification such as gender, academic background, job ranks or working years. So the findings can explain just general behavioral changes after salary peak system regardless of such classifications. In this regards, this study has

limitations to make comparative studies. Even though salary system or retirement system are not perfectly the same between private and public companies, this study just focused on salary peak system itself without considering differences. Furthermore, this study collected the results of survey conducted mainly in Korea. The findings could not be applied to compare similar retirement programs in other countries. Next, this study only conducted quantitative researches, so it has limitations to cover in-depth psychological conditions of people. Future studies should conduct qualitative as well as quantitative researches. Lastly, even though this study applied factor and regression analysis, causal relations of the results of the test are not clear. These issues should be supported in future studies.

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Appendix

Survey Question

Thank you for your participation to this survey. This survey asks you regarding salary peak system and its impact on motivation. This survey would require 20 minutes to answer the following questions. This survey has two parts, one is for perception regarding this system and the other is for motivation led by this system. As each question has not correct answer, please voluntarily answer whatever you think. We guarantee that the date you answer should be strictly confidential. This survey is only for academic research and there is no related individual or organization. Samples would be people who are age before this system or applied to salary peak system. I would be very appreciated for your honest answer. If you have any inquiry, please contact 010-2950-8793 or email yeji8793@naver.com. Your answer would be very helpful to analyze salary peak system and its impact.

Salary peak system: "…extends retirement age for senior employees in return for gradually reducing their salaries in the years leading up to retirement (The Korea Herald, 2011)".

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1. **Have you ever heard about Salary peak system?**
1) Yes   2) No

2. How much do you perceive Salary peak system?
  Perfectly don't know ◀ □1---□2---□3---□4---□5 ▶ perfectly know well

3. How much do you know about retirement system of your company?
  Perfectly don't know ◀ □1---□2---□3---□4---□5 ▶ perfectly know well

4. **Does your company have Salary peak system?**
1) Yes 2) Planning 3) No, we have different retirement system

Salary peak system	Remark
Definition	A system to guarantee retirement in place of cut of wage (Doopedia) A system for continuous employment by promising retirement until a certain age while salary adjustment (http://www.mosf.go.kr)
Types	1) Retirement extension: extends from current retirement age in place of cutting wage before retirement 2) Age limit security: guarantees current retirement in place of cutting wage before retirement 3) Extension of employment: re-employs retired workers as contract workers in place of cutting wage before retirement
Disadvantages	- Reduced will to work due to low incentives for performance - Difficulties to hire new recruits by reducing the number of retirement - Manipulated tools as cost reduction - Increasing workers who cannot adapt due to changed tasks - Reduced productivity due to demoralization / Relative deprivation from colleagues
Advantages	-Flexible management of labor costs -Utilization of high skilled workers -Preparing retirement savings

Current situation	-Only 16.3% companies introduced salary peak system -After passing 60 of retirement age law, its impact on introduction of salary peak system

5. How much are you satisfied from your company's current retirement program?
Not at all satisfied ◄ □1---□2---□3---□4---□5 ►Completely satisfied

6. How much do you think that salary peak system should be applied to your company?
Highly unlikely ◄ □1---□2---□3---□4---□5 ► Highly likely

7. How much do you agree extension of retirement age due to Salary peak system?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

8. How much do you agree change of salary due to salary peak system?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

9. Under salary peak system, how much do you agree on cut of wages in place of deferred retirement?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

10. How much do you agree change of incentives provided by company due to salary peak system?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

11. How much do you agree salary peak system if incentives are reduced?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

12. When salary peak system is applied, how much do you agree salary peak system when considering pension?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

13. How much do you agree salary peak system when you hear something from colleagues?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

14. Under salary peak system, how much are you likely to accept junior or colleague's negative perception in place of retirement extension?
Strongly disagree ◄ □1---□2---□3---□4---□5 ► Strongly agree

15. How much do you agree change of position due to salary peak system?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

16. Under salary peak system, how much do you agree on demotion in place of deferred retirement?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

17. When salary peak system is applied, how much do you agree salary peak system when your employment status is changed?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

18. Under salary peak system, how much do you agree on change of employment status (from regular worker to contract, fixed term, dispatched worker) in place of deferred retirement?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

19. How much are you likely to choose salary peak system according to job importance in your life?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

20. How much are you likely to choose salary peak system if job importance is devalued due to changes from salary peak system?
Strongly agree ◄ □1---□2---□3---□4---□5 ► Strongly disagree

21. How much are you likely to choose salary peak system according to your commitment to your organization?

    Strongly agree ◀ □1---□2---□3---□4---□5 ▶ Strongly disagree

22. How much are you likely to choose salary peak system if your commitment to organization is devalued due to changes from salary peak system?

    Strongly agree ◀ □1---□2---□3---□4---□5 ▶ Strongly disagree

23. How much do you believe salary peak system itself?

    Strongly believe ◀ □1---□2---□3---□4---□5 ▶ Never believe

24. How much do you think that salary peak system is important for retirement plan?

    Strongly important ◀ □1---□2---□3---□4---□5 ▶ Not at all important

25. How much do you overall evaluate salary peak system?

    Strongly agree ◀ □1---□2---□3---□4---□5 ▶ Strongly disagree

26. How much do you like to work with workers who choose salary peak instead of retirement?

    Most ◀ □1---□2---□3---□4---□5 ▶ Least

27. After being applied to salary peak system, how much do you believe that your work performance would be improved compared to previous performances?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

28. After being applied to salary peak system, how much do you believe that motivation would be improved compared to previous status?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

29. After being applied to salary peak system, how much do you believe that you are eager to work?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

30. After being applied to salary peak system, how much do you believe that job satisfaction would be increased?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

31. After being applied to salary peak system, how much do you believe that satisfaction to your company would be increased?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

32. After being applied to salary peak system, how much do you believe that loyalty to job would be increased?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

33. After being applied to salary peak system, how much do you believe that loyalty to your company would be increased?

    Very likely ◀ □1---□2---□3---□4---□5 ▶ Highly unlikely

34. After being applied to salary peak system, how much are you likely to have intention to leave your company?

    Higly unlikely ◀ □1---□2---□3---□4---□5 ▶ Very likely

35. Please indicate your gender.
  1. Male 2. Female

36. Please indicate marital status.
  2. Single 2.Married

37. Please indicate your age
  1. 20-29

2. 30-39
  3. 40-49
  4. 50-55
5. 56-60
6. Over 61

38. Please indicate your education background
  1. High School
  2. Associate degree (finished 2 years of college)
  3. Bachelor degree (finished 4 years of college)
  4. Master degree
  5. Ph.D. degree
  6. Others

39. Please indicate your income level per a year
  1. Less than 40,000,000
  2. 41,000,000~60,000,000
  3. 61,000,000~80,000,000
  4. 81,000,000~0.1 Billion
  5. More than 0.1 Billion

40. Please indicate your current position in your department/company
  1. Staff
  2. Assitant manager
  3. Deputy manager
  4. General Manager
  5. Director
  6. Public officer
  7. Others

41. Please indicate your working sector
  1. Manufacturing
  2. Financial sector
  3. IT
  4. Marketing / PR
  5. Education
  6. Public sector
  7. Construction
  8. Research
  9. Trade
  10. Distribution/Transportation
  11. Others

42. Please indicate your seniority
1.1~3years
2. 3~5years
3. 5~10years
4.10~15years
5.15~20years
6. Over 20 years

43. Please indicate whether your company has labor union or not
1. Yes 2. No

The End.
Thank you for your cooperation.