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Keywords

pay, level, job, search, choice, process, applicant, research, organization, employee, resource, system, compensation, interview, culture

Comments

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**Effects of Compensation Systems on Job Search Decisions:
An Application of Person-Organization Fit**

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Running Head: COMPENSATION SYSTEMS AND JOB SEARCH

This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research, conferences, and projects available to others interested in human resource management in preliminary form to encourage discussion and suggestions.

Abstract

Past research has demonstrated the importance of pay level in job search and choice processes. Compensation policies other than pay level may have important effects on applicant attraction, yet there has been little research examining this possibility. The role of person-organization fit in job search and job choice decisions has also been supported. Because pay systems define an organization's expectations and culture, they may be an important organizational attribute for individuals to compare with their needs and values; thus the corresponding level of fit between compensation policies and individuals' dispositions may affect subsequent job search and choice decisions. Using several research methods and a sample of individuals currently involved in the interviewing process, this study examines both the main and interactive effects of various pay system attributes on job search. Resulting analyses primarily supported the hypotheses, suggesting that many facets of pay systems may have important effects on individuals' job search and choice decisions.

Effects of Compensation Systems on Job Search Decisions:

An Application of Person-Organization Fit

Pay is an important job factor (Jurgensen, 1978), and has substantial implications for applicant attraction and subsequent job choice decisions (Rynes, 1987; Rynes, Schwab, & Heneman, 1983). Research on the relationship between compensation systems and job search and choice has typically examined the effects of relative pay level (Gerhart & Milkovich, 1992). However, compensation systems include other important attributes in addition to pay level. Other components of pay systems may have important effects on the value individuals place on organizational inducements. For instance, it is acknowledged that pay systems act as signaling devices to applicants, providing information about less visible organization attributes (Gerhart & Milkovich, 1992; Rynes & Miller, 1983; Turban & Keon, 1993). Rynes (1987) suggested that "compensation systems are capable of attracting (or repelling) the right kinds of people because they communicate so much about an organization's philosophy, values, and practices" (p. 190).

Thus, while various pay system characteristics are expected to affect applicant attraction directly, such that the majority of applicants in a targeted selection pool interpret them similarly, certain types of individuals may attach different meanings and values to pay plans. Pay level, for instance, positively affects most individuals' job choices, but other aspects of pay systems may cause certain types of applicants to be more or less attracted to organizations. Self-selection in to or out of the hiring process is an important factor for organizations to consider because the types of individuals attracted to an organization may have subsequent implications for the composition of that organization (Schneider, 1987). Furthermore, certain business and human resource strategies appear to require certain types of employees. Organizations can save resources (e.g., selection costs) by designing pay systems which attract the right kinds of people (Rynes, 1987).

Applicant self-selection based on compensation policies is consistent with the tenants of person-organization fit. It has been widely claimed that applicants make job search and choice decisions based on their personalities, and their perception of the match between their personalities and organizational culture (Bretz, Ash, & Dreher, 1989; Chatman, 1989; Judge & Bretz, 1992;

Schneider, 1987; Turban & Keon, 1993). Although applicants can acquire information about an organization's culture through a number of sources including interviewers or product reputation, these sources of information may be subtle and variable. Human resource systems, on the other hand, are relatively stable and are often observable to applicants. As an integral part of human resource systems, compensation policies are relatively stable sources of information reflecting organizational culture. Furthermore, Judge and Bretz (1992) suggested that job choice based on fit may only operate when information about organizational values is salient to applicants. Because pay systems are important and observable to job seekers, they are likely to be salient and may be especially important in job search and choice decisions based on fit (Rynes, 1987; Turban & Keon, 1993). Several researchers have made reference to the relationship between individual differences, compensation systems, and person-organization fit (Bretz et al., 1989; Miceli & Lane, 1991). Turban and Keon (1993) recently supported the interactive relationship between performance-based pay systems and individuals' needs for achievement. However, there is a lack of systematic empirical research on the relationship between total compensation systems and job search and choice decisions.

Strategic compensation decisions

Compensation and human resource managers make many pay system decisions which potentially affect job seekers' impressions of the organization. However, as Milkovich and Newman (1990) suggested, only those pay system decisions affecting the success of the business are considered strategic. Accordingly, although other researchers (e.g., Gomez-Mejia & Balkin, 1992) have assembled more exhaustive lists of compensation decisions, the pay attributes chosen for investigation in the present study are based on the five strategic decisions cited by Gerhart and Milkovich (1992) and Milkovich & Newman (1990). These include external competitiveness, internal pay structure, individuals differences/employee contributions, benefits, and alternatives to traditional systems (Gerhart & Milkovich, 1992). An effort was made to include at least one pay attribute from each of these strategic choices because it appears fitting to begin systematic research on the effects of pay systems on job search and choice with the most consequential pay decisions.

Hypotheses

One way to examine the direct effects of different compensation policies on job search and choice decisions is to systematically assess the degree to which applicants' willingness to pursue positions depends on pay system attributes. The relative weight applicants place on various pay system attributes provides an indication of the importance of those pay policies in the job search and choice process. Furthermore, examining these pursuit intentions relative to individuals' dispositions allows an assessment of the fit between individual differences and pay systems. It is expected that compensation systems will have general effects on applicants (e.g., pay level will be positively associated with job search for more individuals). However, some characteristics of pay systems may be more attractive to some individuals than to others. Accordingly, the overall effects of compensation systems on applicant job search and choice are hypothesized, then the degree to which the valence of these systems may depend on the dispositional characteristics of individuals is hypothesized. The pay attributes used in this study appear with their manipulations in Table 1. Each attribute is considered in turn.

 Insert Table 1 About Here

Pay Level

It is generally accepted that higher levels of pay relative to the market will attract greater quantities of applicants (Rynes & Barber, 1990; Yellen, 1984). Some empirical evidence also supports the hypothesis that pay is particularly effective for motivating job application and acceptance decisions (Lakhani, 1988). Rynes et al. (1983) found that pay level acted as a hurdle in job choice decisions, where non-pecuniary job factors affected decisions only if a predetermined level of pay was offered. Gerhart and Milkovich (1990) suggested that pay levels might have their most direct effects on employee attraction. Similarly, Jurgensen (1978) found pay to be ranked as the most important factor of position attributes when social desirability was controlled. Consistent with past research, pay level is expected to positively affect job choice.

H1: Pay level will positively influence the probability of actively pursuing a position with an organization.

Pay level probably is attractive to most individuals because it offers them a corresponding level of purchasing power, and is therefore expected to be an important factor in job search and choice decisions. However, pay level may be more important to some applicants than to others (Bretz & Judge, 1992). A personality dimension that might moderate the relationship between pay level and applicant attraction is materialism, or the importance one attaches to worldly possessions. Richins and Dawson (in press) suggested that materialistic individuals place high value on material acquisitions and the means to acquire possessions. Because level of pay directly affects individuals' ability to acquire worldly possessions, more materialistic applicants would be expected to place greater importance on level of pay when evaluating jobs than those low in materialism. Wachtel and Blatt (1990) found that materialists required a higher income to live what they perceived as a comfortable life. Similarly, Richins and Dawson found that materialistic individuals desired a larger income, and placed greater emphasis on financial security. Thus, although it is expected that pay level will be valued by most individuals, it is also expected to be more salient to materialistic job seekers than to those who value materialistic possessions less.

H2: Highly materialistic applicants will be more attracted to positions with a higher pay level than applicants with lower materialism.

Flexible Benefits

Gerhart and Milkovich (1992) suggested that benefits account for 28% of total compensation costs, but also noted that benefits accrue variable value to individuals. Flexible benefits plans may be beneficial to both employers and employees because they allow choice among different types of benefits. Employees can choose less expensive benefits with greater personal value, improving employee satisfaction while at the same time saving organizational resources. McLaughlin, Robinson, and Anderson (1991) suggested that flexible benefits help attract and retain employees because they reduce tax liability and increase take home cash. Barber, Dunham, and Formisano (1992) found that the implementation of a flexible benefits plan positively

affected benefit satisfaction, and to a lesser degree, job satisfaction. In accordance with past theory and research, it is expected that flexible benefits will positively influence individuals' decisions to pursue a position.

H3: Flexible benefits will positively influence individuals' decisions to actively pursue a position with an organization.

While a large number of organizations are turning to flexible benefits, benefits choices may not be seen as a positive situation to all employees. Employees may be overwhelmed with the responsibility to choose between benefits alternatives, and there may be a considerable time investment to learn about the benefits offered and design a package that best suits them. Some support for this claim derives from the fact that organizations are employing computerized expert systems to aid employees when choosing their benefits packages (Sturman & Milkovich, 1992).

If some individuals desire flexible benefits more than others, it appears important to understand the characteristics that cause these differences. A personality characteristic which may influence job seekers' evaluation of flexible benefits is locus of control (LOC) (Rotter, 1966). LOC concerns the degree to which individuals believe that they control events in their lives (internal LOC) or that the environment, luck, or chance controls events (external LOC) (Rotter, 1966). In the present context it appears that job seekers with an internal LOC might be more attracted to an organization in which they control their outcomes. Those who desire control may be more willing to invest the time and energy required to make benefits choices, while those who feel control is beyond their ability may consider the investment an aggravation. Supporting this argument, Miceli and Lane (1991) suggested that individuals' need for control may affect their benefits preferences. Individuals with an internal LOC are expected to be more attracted to environments involving choice and control than those who feel their choices are bound to be ineffective.

H4: Applicants with an internal locus of control will be more attracted to flexible benefits than those with an external locus of control.

Evaluative focus: Individual or Group-Based

Evaluative focus concerns whether performance evaluation and subsequent rewards are based on the individual or the group. Whether an organization rewards individual or group performance presumably sends signals to applicants concerning teamwork expectations and organizational culture. Applicants may use these signals to compare organizations and to evaluate their desire to be evaluated as an individual or as part of a team. In the present study, it is expected that in general job seekers prefer individual-based pay plans. Expectancy theory may help provide the rationale. Expectancy theory postulates that the attractiveness of an alternative will increase as the links between personal efforts, results, and outcomes become more direct. Individual-oriented pay systems appear to create this motivating state more than group-based systems because job performance and subsequent rewards are more associated with individual contributions, leading to higher contingencies between individual contributions and rewards. Consistent with the predictions based on expectancy theory, Bretz and Judge (1992) found that job applicants preferred individual-based incentive systems. Furthermore, when studying U.S. applicants, this hypothesis is consistent with international researchers (e.g., Hofstede, 1980) who have suggested that the United States is the most individualistic society in the world (rated 91 on a scale ranging from 5 to 91 and with a mean of 44).

H5: Individual-oriented pay systems will positively influence individuals' decisions to actively pursue a position with an organization.

Just as countries place different values on individualism and collectivism, variance is expected to exist between job seekers within a country. In fact, individualism versus collectivism has been viewed as a dispositional construct. Individualists prefer to work alone, and place value on personal goals, autonomy, and privacy (Wagner & Moch, 1986). Collectivists desire high levels of interaction, have a high degree of reliance on others, and have a cooperative disposition (Bretz et al., 1989). Furthermore, collectivists derive satisfaction from group accomplishment (Earley, 1989), and feel individuals should be willing to make sacrifices for the sake of the work group (Wagner & Moch, 1986). This personality characteristic is directly related to pay systems'

evaluative focus. Pay systems which emphasize results produced through group interdependence and which distribute rewards based on group performance demand a cooperative work effort, while those which reward individuals for their performance tend to demand a more individual effort. Collectivists would appear to desire evaluation on group achievement, and fit best in a group-based reward environment, while individualists would be expected to desire evaluation and rewards for their individual performance, such as those provided through individual merit pay.

Bretz et al. (1989) and Bretz and Judge (1992) offered empirical support for the relationship between collectivism and group-based pay. Bretz et al. (1989) tested the hypothesis that individuals with greater needs for affiliation would be more attracted to group-based reward systems, finding only limited support. While there may be several explanations for this weak support, the authors suggested that need for affiliation may not have been the construct best suited to explain individuals' propensity toward group-based reward systems. Based on this suggestion, Bretz and Judge (1992) developed a two-item team orientation scale which measured desire for a group-based pay system (e.g., "members of a team should get the same rewards"). Although scores on this measure were related to the attractiveness of organizations with a team-based pay systems, there is some question whether the authors examined the relationship between team orientation and desire for organizations with group-based pay, or simply correlated two measures of desire for group-based pay. The present paper extends Bretz and Judge's (1992) findings with a general personality scale, providing a fuller examination of the relationship between personality and attractiveness of organizations' pay systems.

H6: Applicants with high individualism will be more attracted to an individual-based versus a group-based pay plan than those with high collectivism.

The characteristic of self-efficacy also appears relevant to individuals' propensity toward individual versus group pay systems. Perceived self-efficacy is concerned with judgments of how well one can execute courses of action (Bandura, 1982). Bandura also proposed that self-efficacy judgments influence choice of activities and environmental settings in that people avoid activities they believe exceed their capabilities, but undertake those that they judge themselves capable of

managing. Expectancy theory predicts that situations will have more expected value when expectancy (the link between action and accomplishment) is higher. Accordingly, individuals with more confidence in their personal ability (e.g., high self efficacy) may perceive greater expectancy in their actions, and be more attracted to pay systems which link their individual behavior with rewards. Thus, if applicants feel they are more productive than others, they may want their performance to be evaluated and rewarded individually since a group evaluation would generally lower their outcomes to the mean. Conversely, individuals with low self-efficacy may be more attracted to pay systems which reward group performance because they can profit from improvements in group productivity regardless of their own contribution, a concept commonly referred to as free riding (Cooper, Dyck, & Frohlich, 1992).

H7: Applicants with high self-efficacy will be more attracted to an individual-based versus a group-based pay plan than those with low self-efficacy.

Pay Stability

In the context of agency theory, making employees' pay contingent on organizational outcomes is an obvious means of aligning agents' interests with those of principals (Eisenhardt, 1989). As Gerhart and Milkovich (1992) noted, however, agents are typically more averse to financial risks than principals because agents are less able to diversify their risks. Furthermore, while contingent pay systems may make rewards partly dependent upon employees' performance, pay may also be subject to factors beyond employees' control, such as government policies and economic climate. These factors mitigate the instrumentalities of the reward system, making it less attractive according to expectancy theory. Thus, it is expected that job seekers will prefer fixed over variable pay. This hypothesis is also consistent with research that has found consistent negative relationships between risk judgments and attractiveness judgments (Weber, Anderson, & Birnbaum, 1992).

H8: Fixed pay will positively influence the probability of actively pursuing a position with an organization.

Because pay is generally recognized as important, the possibility of losing a portion of it is expected to be meaningful to most individuals. However, it is not expected that all individuals' are equally averse to the potential downside risk inherent in contingent pay systems. Rynes (1987) and Olian and Rynes (1984) asserted that while little research was available on the topic, contingent pay systems would be expected to attract different types of applicants. Weber et al. (1992) suggested that while ratings of risk and attractiveness appeared inversely related, the two judgment tasks also showed systematic differences, and that risk evaluation is subject to individual differences. One characteristic which is theoretically related to contingent pay is risk adversity. Gomez-Mejia and Balkin (1989) found that employees with a low willingness to take risks were more likely to experience withdrawal cognitions if they worked for a firm utilizing variable compensation. Furthermore, Maehr and Videbeck (1968) suggested that uncertainty may actually be motivational to a risk-inclined individual, and that a risk-taker can be expected to respond to unpredictable incentives differently from a low-risk person. Thus, risk adversity is expected to influence individuals' preference for a fixed versus contingent pay system.

H9: Applicants with high risk aversion will be more attracted to a fixed-pay versus a contingent pay system than those with low risk aversion.

Pay Base

In some organizations where flexibility is valued, employees are cross-trained to continuously develop their knowledge of different positions. To promote learning and progression through different positions, skill-based pay (SBP) may be adopted. Contrasted with traditional job-based pay, where employees are compensated according to the value of the position they occupy, SBP systems reward employees for gaining proficiency in various positions within the organization. Ledford (1991) suggested that SBP encourages a high-commitment work force, and tends to be used in organizations with high levels of employee involvement. Especially because SBP is a new way to structure the employment relationship, individuals may consider it a direct signal of an organization's culture and expectations.

It is expected that job based pay is currently more desirable to most job seekers than skill-based pay due to the uncertainty and additional investment SBP is likely to represent. Although SBP is an increasingly popular pay choice among employers, it is not familiar to most applicants. In a pilot study it was found that understanding of skill-based pay systems was the lowest of the pay policies employed in the present study. Furthermore, it is not likely that job seekers would have worked under a SBP system in the past, while it is quite likely that they would have considerable experience with a job-based pay system. SBP, then, is likely to represent a more uncertain situation to most applicants. Ambiguity, like risk, is generally avoided because it adds to the total uncertainty of the situation (Einhorn & Hogarth, 1985). Also, as described above, SBP plans demand greater employee commitment and energy. Success in the position into which employees were hired may be inadequate to receive additional rewards because employees are expected to continually learn new knowledge and skills. The conditions of a less certain but more demanding environment are expected to appear undesirable to most applicants.

H10: Job-based pay will positively influence the probability of actively pursuing a position with an organization.

Although in general applicants are expected to prefer job-based pay over SBP, all types of individuals may not equally prefer a job-based pay system, and those organizations with SBP might attract different types of applicants than a traditional pay system. Growth need strength might be a relevant construct in understanding individuals' differential responses to SBP. Hackman and Oldham (1975) described growth need strength (GNS) as an individual difference concerning desire to obtain "growth" satisfaction from work. The GNS scale assesses individuals' responses to jobs with high motivating potential (high-involvement) positions, and is thought to moderate the relationship between job dimensions, employees' psychological states, and job outcomes. A SBP system is much like a position with high motivating potential, with high skill variety, task identity, task significance, autonomy, and feedback. Thus, it is expected that those individuals with high GNS will be more attracted to a skill based pay system than those with low GNS.

H11: Applicants with high growth need strength will be more attracted to a skill-based versus a job-based pay system than those with lower growth need strength.

The characteristic of self-efficacy also appears relevant to individuals' attraction to skill-based pay systems. As discussed in reference to individual-based pay, perceived self-efficacy is concerned with judgments of how well one can execute courses of action (Bandura, 1982). Employees working under skill-based pay systems are rewarded only for skills they are capable of using, and pay raises follow new additions of skills. While job-based pay plans also suggest performance contingencies, SBP places significance on continuous personal improvement and maintained proficiency. These environmental characteristics appear more suitable for individuals who have high belief in their abilities. SBP plans are generally thought to create more challenging work environment for individuals, and a large body of efficacy literature suggests that those with a strong sense of efficacy exert greater effort to master challenges (Bandura, 1982). In fact, Tosi and Tosi (1986) suggested that employees with low ability levels will be less satisfied with SBP than those with higher ability levels.

H12: Applicants with high self-efficacy will be more attracted to a skill-based pay plan than those with low self-efficacy.

Method

Setting, Subjects, and Procedure

Data were collected from engineering and hotel administration students approaching graduation at a large Northeastern university. Eighty-eight percent of respondents were interviewing for jobs at the time of survey distribution. Surveys assessed within-subjects data (consisting of a policy capturing section) and between-subjects data (consisting of personality scales and biographical information). Finally, surveys elicited subjects' responses to a number of questions about companies for which they were eligible to interview. The survey took approximately one hour to complete. The target sample included 360 students from 2 schools (engineering and hotel administration), consisting of 6 majors (electrical engineer, chemical engineer, operations research, computer science, materials engineer, and hotel administration), and

3 degrees (bachelor of arts, bachelor of science, and masters). The study was conducted with the support of the colleges' placement centers, and all respondents completed informed consent forms. Confidentiality of individuals' responses were assured, and participation was voluntary. All participants received \$10; participants completing the survey one week after distribution were entered into a lottery worth \$100. One hundred seventy-one usable surveys were returned (48%). Non-respondent data (major, degree, gender, and college) was collected and compared to respondents, and there were no significant differences between respondents and non-respondents. Thus, it appears that the sample of respondents was representative.

Respondents' ages ranged from 19 to 29 years with an average of 21.2 years ($SD = 1.25$ years). Seventy-one percent of respondents were men, and 75% were Caucasian. Work experience ranged from 0 to 11 years, with an average of 1.17 years ($SD = 1.65$ years). Grade-point averages ranged from 2.0 to 4.0, with a mean of 3.11 ($SD = 0.45$). Seventy-seven percent of the respondents were senior undergraduates, and 14% were graduate students. Twenty-four percent of respondents majored in electrical engineering, 22% in hotel administration, 22% in mechanical engineering, 15% in operations research, 13% in chemical engineering, and 4% in computer science.

Research Design and Measures

An experimental design was employed to assess the between-subjects variables. Specifically, participants studied a series of positions defined by their compensation system attributes, and then indicated their interest in pursuing positions with those characteristics. The importance of each pay system attribute was assessed with regression equations, where the magnitude of the standardized beta weights represented the policy decisions used to evaluate the stimuli. This design is known as policy capturing and has been used to study a variety of decision making processes, including job choice (Judge & Bretz, 1992; Rynes et al., 1983; Zedeck, 1977). Policy capturing is an alternative to direct estimation techniques, which give little indication of how rankings are used in actual decision making, demand greater self-insight than is likely to be possessed by decision makers, and are frequently criticized for eliciting responses subject to social

desirability (Jurgensen, 1978; Schwab, Rynes, & Aldag, 1987). Policy capturing obviates these problems because individuals are placed more fully into the decision-making role, evaluating holistic positions rather than stating preferences for specific position factors. Also, the level of experimental control in the policy capturing design facilitates causal inferences, enabling researcher to better assess the effects of the within-subjects factors.

The five within-subjects factors in the present study (see Table 1) include pay level, a job factor with established importance in the job search and choice process, and the four other compensation policy decisions previously discussed. When conducting research on job search and choice, level of pay must be realistic if correct interpretations of independent variables' effects are to be drawn (Judge & Bretz, 1992; Rynes et al., 1983). Rynes et al. (1983) found that applicants utilize a non-compensatory process of job choice decisions, where a threshold level of pay must be obtained before other factors are important. In the present study, average starting pay levels were calculated for each individual (by major and degree; e.g., electrical engineers with bachelors degrees) on the basis of placement office records of recent salary offers. Standard deviations were also calculated for each group. To check the realism of these standard deviations, weighted deviances were calculated based on the 75th and 25th percentiles from the individual means. Both techniques yielded similar estimates (e.g., $SD = \$3,923$ and $\$3,987$ using the two respective techniques). The standard deviation was added to and subtracted from each individuals' mean to calculate the respective high and low pay level manipulations (e.g., for bachelors students in computer science the average pay level was $\$40,120$, the high pay condition was $\$44,120$, and the low pay condition was $\$36,120$).

Table 1 also shows the four remaining compensation attributes employed in the study. The compensation system attributes were chosen based on the five strategic decisions cited by Gerhart and Milkovich (1992). These include external competitiveness (e.g., pay level), internal pay structure (e.g., pay hierarchy), employee contributions (e.g., individual vs. group contribution), benefits (flexible vs. fixed), and alternatives to traditional systems (pay-at-risk, skill-based pay). Pay structure, concerning the number of pay levels and the rate of progression through a pay

hierarchy, was not considered relevant to the purposes of this study because the target population had very little full-time work experience. Pay structure is more pertinent to job seekers who have held full time positions and have had the opportunity to receive raises and work up (or across) a pay structure. In fact, a pilot study conducted to assess the relevance of the six compensation attributes suggested that respondents were significantly less familiar with pay structure and rated it as significantly less important to them ($p < .01$) than the other attributes.

Dichotomous conditions were used to define the four remaining variables (Hoffman et al., 1969). Each of the five variables' manipulations is listed in Table 1. The manipulations were derived from Gerhart and Milkovich (1992), Milkovich and Newman (1990), and Gomez-Mejia and Balkin (1992). The gains-to-loss ratio in the contingent pay condition was based on evidence that employees charge organizations (in the form of pay premiums) to accept a portion of the risk that the organization would otherwise bear (Gerhart & Milkovich, 1992). The percentage of variability was adapted from research conducted by Drankosky and Judge (1992) which suggested that variable pay plans affecting lower to middle management contained 15% below-base loss and 25% above-base gain.

The pay system variables were completely crossed, creating every possible combination and permitting assessment of the importance placed on each factor by respondents (Hoffman et al., 1968). Furthermore, to assess the degree of reliability between the scenarios, four replicate scenarios were utilized. The resulting 36 scenarios were presented in random order. To further minimize order effects, each pay variable was randomly presented within each scenario.

The dependent variable, "How likely is it that you would actively pursue interviewing with this organization?" was the defined probability of pursuing interviewing with an organization. Subjects responded to a 7-point Likert scale anchored by 1 = highly unlikely to 7 = highly likely. The overall reliability of this variable for the four duplicated scenarios was .90. Desire to pursue interviewing was chosen over job choice as a dependent variable because most participants were currently involved in the interviewing, or job search process, while few had yet made job choices. Also, policy capturing has been criticized because participants often must rate an unrealistically

large number of scenarios. It is more realistic to pursue 36 jobs or companies (via interviews) than to receive and decide between 36 job offers. Thus, employing job search as a dependent variable was thought to enhance the validity of the study. However, job search is critical to, and is in many ways is representative of, job choice. Job search precedes choice logically, and there are opportunity costs in eliminating positions from further pursuit. In this study, "job search" encompasses job evaluation and choice in the context of antecedents, outcomes, and implications (Schwab, 1987).

Organization Pursuit Data

To further examine the effects of compensation policies on job search and choice decisions, and to assess the degree to which the policy capturing results generalize beyond an experimental setting, the present study elicited information about the organizations for which respondents were currently interviewing. Rynes (1991) has lamented that previous studies on job search and choice have concentrated primarily on contrived search and choice situations. In the present study, individuals indicated their willingness to pursue the organizations with which they were currently eligible to interview, and their beliefs about each organizations' pay systems. Consistent with Rynes (1991) and Rynes et al. (1983), information obtained about actual organizations might be expected to have greater external validity than experimental data where characteristics are assigned to fictitious organizations. Surveys were created to ensure that each respondent answered questions only about those organizations relevant to his or her interviewing possibilities. Individuals indicated their desire to pursue interviewing with various companies (e.g., "rate the degree to which you would actively pursue obtaining a position with Air Products") on a likert scale where 1 = very little and 5 = very much. Respondents were also asked to provide their perceptions of how those companies paid their employees (e.g., "I believe Air Products has a group-based reward system"). Responses were on a 5 point likert scale where 1 = strongly agree and 5 = strongly disagree. Participants indicated their willingness to pursue the organizations prior to answering the pay questions to avoid priming effects, although this does make consistency

effects possible. However, Bretz and Judge (1992) found little evidence of such effects in their job choice study.

Between-Subjects Measures

Consistent with Salancik and Pfeffer (1978), the order of the survey may prime respondents and distort the data obtained on later survey sections. In the present study, the order of the survey was systematically mixed, and then instituted as a control variable to ensure that potential priming effects would not influence the effects of other variables in the analyses. Measures for each personality characteristic were chosen based on past research which suggested adequate reliabilities and validities. The constructs and their measures are described below.

Materialism. Materialism was assessed using Richins and Dawson's (in press) 17-item measure. The measure has exhibited high reliabilities in past research and assesses the importance a person places on possessions and their acquisition as a necessary conduct to reach desired states (e.g., "Some of the important achievements in life include acquiring material possessions"). In the present study the reliability estimate for this scale was .85.

Individualism / collectivism. The construct of individualism / collectivism was assessed with a combination of scales. Erez and Earley (1987) created a four-item measure of collectivism based on Hofstede's (1980) conceptualization, and Earley (1989) later modified the scale. Items on the scales were utilized in the current study. Items were also adapted from Steers and Braunstein's (1976) Manifest Needs Questionnaire (MNQ), a measure with specific reference to work settings. Finally, items were slightly adapted from Wagner and Moch's (1986) work-based measure of collectivism. The resulting reliability estimate of the 11-item composite scale created for this study was .74.

Self-efficacy. Self-efficacy was assessed with Sherer et al.'s (1982) general self-efficacy scale. Sherer et al.'s 17-item scale measures general self-efficacy (e.g., "When I make plans, I am certain that I can make them work") with acceptable reliability and construct validity. This scale appears appropriate for measurement of efficacy as an individual trait, and has been used as such in past research. The overall reliability estimate for this scale was .84.

Locus of control. To measure the extent to which individuals believe that they or their environment "control" events, many researchers have employed Rotter's locus of control scale (Rotter, 1966). However, other researchers have found methodological and psychometric problems inherent in Rotter's (1966) I-E scale (Collins, 1974). In the current study, two scales were combined to measure locus of control. Levenson's (1981) internality scale, like Rotter's (1966) scale, assesses individuals' conviction in their ability to control events (internal LOC). This measure exhibits moderate reliabilities, and has been used in a wide variety of samples (an extensive description of samples and norms can be found in Levenson, 1981). The present study also utilized the personal efficacy scale of Paulhas' (1983) spheres of control measure. The scale was developed specifically for students, and exhibits acceptable reliabilities. Both scales appear to demonstrate better psychometric properties than Rotter's (1966) scale (Lefcourt, 1991). The final reliability estimate for this combined 17-item scale was .72.

Risk aversion. Risk aversion was measured in the present study with a scale originally developed by Slovic (1972). The measure has exhibited high reliability in organizational research (Gomez-Mejia & Balkin, 1989). This 4-item scale was combined with two risk aversion items developed by Drankoski and Judge (1992). The resulting reliability for this scale was .72.

Growth need strength. Participants' desire to be involved in a more learning-intensive work environment was measured with the growth need strength (GNS) scale from the job diagnostic survey (Hackman & Oldham, 1975). GNS has been used successfully by researchers and has demonstrated adequate internal consistency and reliability. In this study, both the "would like" and "job choice" formats are utilized to create an 18-item scale (Hackman & Oldham, 1975). The reliability estimate for this measure was .75.

Other characteristics. Each respondent's major, education, age, years of work experience, sex, race, and GPA were assessed with specific items on the survey. Finally, respondents indicated when they were interviewing for jobs, and estimated their job opportunities in the present job market.

Analyses

Between-subjects analysis. Multiple regression analysis was used to estimate the effect of the compensation factors on the probability of pursuing a position. With each of the 171 respondents making 36 job pursuit decisions, 6,156 observations were available for the analysis (171 x 36; actual number of observations was smaller due to listwise deletion of missing values). To better estimate the true effects of the pay system attributes, control variables relevant to job search and choice were used in the analysis. Consistent with human capital theory and past research (e.g., Judge & Bretz, 1992), individuals' grade-point averages and job experience were expected to negatively influence the probability of pursuing an organization, and were controlled for in the analysis. Similarly, because individuals might be more willing to accept a position in a tighter labor market, respondents' perceived labor market alternatives were controlled. Demographic characteristics including gender, race, and age were also entered in to the equation as controls. Because individuals in different degree programs (bachelors versus masters) and majors (engineering versus hotel) might face somewhat different labor markets, dummy variables were created for each and entered into the equation. In order to control for the possibility that individuals may be less likely to pursue positions as they draw closer to their job search, interviewing proximity was also controlled (ranging from currently interviewing to more than a year). Finally, because survey priming may be an important factor to control for in experimental research, the order of survey presentation was controlled by creating a dummy variable and entering it into the equation.

Company analysis. This study also assessed the effects of actual companies' pay policies on respondents' pursuit of those organizations. Using multiple regression, individuals' pursuit of a particular organization (e.g., "I would very much like to pursue a position with Air Products") was predicted with their perceptions of that organizations' pay policies (e.g., "I believe Air Products has a group-based pay plan").

Person-organization fit analyses. Multiple regression analysis was employed to estimate individuals' pay preferences, or the effects of the five pay attributes on each respondent's decisions

to pursue job opportunities. Orthogonal contrast coding was used (Cohen & Cohen, 1983). One regression equation was calculated for each participant to assess individual differences between preferred methods of compensation. Because the judgment situation created in the present study was objectively structured, each individuals' beta coefficients from this analysis represent the meaning of the different pay variables to that person (Hoffman, 1960). In a structured judgment situation, ambiguous decision cues are removed and all judges have the same information, and no more, at their disposal (Hoffman, 1960). Decision information is given to judges in the form of a categorical set of variables on which each position is evaluated. In the 171 regression equations, large beta coefficients meant that the corresponding predictors (e.g., pay level) accounted for large proportions of the judgment variance (job pursuit).

Multiple regression analysis was then used to estimate the effect of personality characteristics (between-subjects variables) on individuals' preferences for certain compensation systems (beta coefficients). Because non-personality based individual differences (gender, age) did not seem theoretically relevant to compensation system preferences, these control variables were not entered into these regression equations. However, the order of the survey presentation was controlled to remove potential priming effects.

Individuals' beta weights from the company analysis could not be utilized as dependent variables because willingness to pursue actual positions represents an unstructured judgment situation. The criteria affecting individuals' pursuit decisions could not be controlled, and respondents made judgments on different stimuli. Since the amount, type, and clarity of information available to respondents was uncontrolled, the judgment situation is ambiguous and inconsistent (Hoffman, 1960).

Results

Between-Subjects Analyses

To assess the effects of the between-subjects factors (e.g., gender, race) on job pursuit in the policy capturing design, these factors were added to each judgment situation made by respondents (36 for each individual). As Judge and Bretz (1992) have noted, this is statistically

appropriate because each scenario judgment represents an independent observation, and is used as a dependent variable. This process is also conceptually valid because each between-subject variable may influence individuals' judgments in each scenario. For instance, whether an individual has 5 years of work experience or no work experience is expected to influence his or her job pursuit decision in each hypothetical job scenario, just as it would in his or her actual job pursuit. Because between-subjects variables have been duplicated with each scenario, however, they are no longer independent observations and there is a subsequent positive correlation between error terms. This condition, called autocorrelation, violates an assumption of ordinary least squares (OLS) regression (Dielman, 1991). While the regression coefficients from an OLS estimate remain unbiased, the standard errors of the coefficients may be estimated inaccurately. Resulting confidence intervals and hypothesis tests will be flawed (Dielman, 1991), and subsequent inferences may be incorrect. The degree of autocorrelation was assessed with the Durbin-Watson statistic. The null hypothesis of no autocorrelation was rejected ($d=1.12$), indicating that the disturbances were significantly correlated ($r = .44, p < .01$). To provide unbiased estimates of the regression parameters and error terms, generalized least squares (GLS) was used (Hanushek & Jackson, 1977). As these authors have noted, differences between OLS and GLS decrease as sample size increases. Consistent with this suggestion, differences between the two methods were relatively small in the present study.

Table 2 provides the GLS regression results of respondents' decisions to pursue a job from the policy capturing design. The main effects of the pay system variables were all significant and in the predicted direction, lending support to these hypotheses. As a group, individuals were significantly more likely to pursue those positions with high pay level, individual-based pay, fixed pay, flexible benefits, and job-based pay. The standardized beta weights for the compensation characteristics also provide an indication of the relative importance of each variable to respondents as a group. Pay level was the most consequential to job pursuit, followed by individual-based pay, fixed pay, job-based pay, and flexible benefits. The effect sizes of the independent variables (pay attributes) on individuals' willingness to pursue a given position were substantial: individuals

were 20% more likely to pursue a position when pay level was high (unstandardized $\beta = 1.34$); 8% more likely with individual-based pay ($\beta = .55$); 5% more likely with fixed-pay ($\beta = .37$); 5% more likely with job-based pay ($\beta = .35$); and 4% more likely with flexible benefits ($\beta = .27$ (responses were to a 7-point Likert scale).

 Insert Table 2 About Here

Consistent with human capital theory and past research, individuals with higher GPA's and more work experience were less willing to pursue a given job. Two demographic variables, race and age, also significantly affected job pursuit such that non-whites and older respondents were more likely to pursue a position. Significant differences were also found between degree level (bachelors versus masters) and major (engineering versus hotel), implying a tighter labor market for masters students and engineers. Individuals closer to the process of job search and choice (e.g., interviewing respondents) were less likely to pursue a position. Finally, the order of survey presentation had a significant effect, suggesting that individuals were more likely to pursue a position if they responded to the personality scales before stating pursuit intentions. While the effect is not large, this finding supports Salancik and Pfeffer's (1978) arguments that priming may be an important factor to control for in experimental research. Because the influence of this variable was accounted for in the equation, the effects of the other variables on job search should be unbiased by priming effects.

Finally, Table 2 shows the R^2 coefficient for the equation. As discussed, the ordinary least squares (OLS) and generalized least squares (GLS) methods produced essentially equivalent results. However, the interpretation of the OLS R^2 is expected to be more interpretable to most researchers, and is reported here. The R^2 for the pooled sample was .33.

Company Analyses.

The data set used to assess the relationship between perceived pay systems and actual organizational pursuit was created with a procedure similar to that described in the policy capturing

design. Each respondents' between-subjects variables (e.g., gender, GPA) were duplicated for each organizational pursuit decision (average number of company pursuit decisions was 12). The degree of autocorrelation was again assessed with the Durbin-Watson statistic, yielding an average serial correlation between the errors of .18. While this correlation is substantially lower than the policy capturing results, the Durbin-Watson statistic ($d=1.64$) fell within the range of values for which the test is said to be inconclusive. One alternative is to treat inconclusive values as if they suggested autocorrelation (Dielman, 1991). To ensure conservative and unbiased estimates of the regression parameters and error terms, GLS was again used (Hanushek & Jackson, 1977).

Table 3 provides the results from the regression of individuals' between-subject characteristics (age, gender, etc.) and perceptions of companies' pay systems on their desire to pursue those companies. Individuals' responses about the companies for which they were interviewing offered further support for three of five hypotheses, generally although not fully reinforcing the results of the policy capturing method. Pay level again appeared to be the most important pay variable, further supporting hypothesis one. Individuals' also placed a relatively high importance on flexible benefits, supporting hypothesis three. Respondents were again more attracted to those companies which they perceived as setting fixed pay over those with contingent pay policies, supporting hypothesis seven. The significance of these results replicates those found with the experimental policy capturing data. Contrary to the results of the policy capturing data, whether individuals perceived companies as paying based on group versus individual performance had no significant effect on their job pursuit intentions. Finally, opposite to hypothesis nine and the policy capturing results, individuals preferred those companies which they perceived as basing pay on skills.

 Insert Table 3 About Here

As expected, the effect sizes of the compensation attributes were somewhat lower in this analysis because any decision criteria could influence individuals' evaluations of positions and

organizations. Individuals were 6% more likely to pursue a position when pay level was high (unstandardized $\beta = .3$); 3% more likely with fixed-pay ($\beta = .14$); 2% more likely with skill-based pay ($\beta = .35$); and 4% more likely with flexible benefits ($\beta = .18$).

Person-Organization Fit Analysis

Table 4 provides the results from the person-organization fit analysis. Six out of the 7 fit hypotheses were supported. More materialistic respondents placed greater emphasis on pay level when deciding whether to pursue a job than did non-materialists, supporting hypothesis 2. Individuals with an internal locus of control were more attracted to positions offering flexible benefits than were those with an external LOC, supporting hypothesis 4. Individualists were more attracted to individual-based pay plans than were collectivists, providing support for hypothesis 6. Individuals with higher self-efficacy were more likely to pursue a position with individual-based pay than those with low-efficacy, supporting hypothesis 7. Risk averse individuals were more attracted to positions with non-contingent pay systems than were risk takers, supporting hypothesis 9. Finally, individuals with high self-efficacy were more attracted jobs with skill-based pay systems than those with lower efficacy, supporting hypothesis twelve.

 Insert Table 4 About Here

Several other interesting, but unhypothesized, effects resulted from the analysis.

Individuals with higher growth need strength (GNS) scores were significantly more attracted to job-base pay systems, opposite to hypothesis eleven. Individuals with high GNS were also significantly more attracted to an individual-based pay plan, to flexible benefits, and saw pay level as less important. Finally, risk averse individuals placed less emphasis on pay level as a criterion in their job pursuit process. These findings are examined further in the discussion.

Discussion

The goal of this study was to provide further insight into the effects of compensation systems on applicant job search and choice. The findings suggest that total pay systems provide

job seekers with information which is used to evaluate positions and organizations. Results indicated that high pay level, flexible benefits, individual-based pay, fixed pay, and job-based pay were the preferred means of pay when other factors were held constant, because these pay systems significantly influenced job search decisions. Three of these pay attributes (pay level, flexible benefits, and fixed pay) also influenced applicants' attraction to companies with which they would potentially interview. Thus, the results from the experimental method were generally confirmed by the results from actual, relevant companies, lending support to the robustness of the model. Furthermore, the importance placed on the various pay system attributes in the job search process was substantial relative to pay level, suggesting that if pay levels between comparable positions are relatively equal (which may often be the case), other pay system attributes may have important effects on individuals' job search and choice decisions.

The findings from the company-specific analysis may also endorse the tenants of signaling theory, which proposes that while overt organizational attributes and policies (pay systems) may be directly important to applicants, these policies also offer signals about the jobs they influence and the organizations which implement them (Gerhart & Milkovich, 1992; Rynes, 1987). When applicants responded to familiar companies, they preferred those which they perceived to base pay on skills, while they clearly preferred job-based pay holding the company constant. It is possible that while the ambiguity and additional demands of skill-based pay appear unattractive to most respondents in the sterile environment that is manifest in a policy capturing design, they were actually more attracted to organizations which they perceived as implementing innovative new programs and policies, such as skill-based pay or flexible benefits. Thus, a skill-based pay plan (or other overt signs of organizational growth and innovation) may provide signals which job seekers generalize to other aspects of the organization. Clearly, however, these retrospective interpretations require further research to substantiate them.

These results also suggest that while pay plans may have direct effects on job search and choice, these effects may be heightened by greater levels of fit between individual personality traits and compensation system characteristics. Six of seven fit hypotheses were supported, implying

that dispositional characteristics can potentially serve as reliable indicators of individuals' fit with certain pay systems. Furthermore, if an organization's pay system is strategically structured according to its values, goals, and culture, individuals' fit with that system may also provide an indication of their fit with the organization as a whole.

While the majority of the fit hypotheses were supported, several unhypothesized results merit individual discussion. Although it was expected that individuals with higher growth need strength (GNS) would be more attracted to jobs with skill-base pay systems, these individuals were actually more attracted to job-base pay. One potential interpretation for this result is that the GNS scale measured not only propensity toward growth on the job, but toward autonomous growth (e.g., in completing the GNS scale, respondents chose between "A job with very satisfying teamwork" and "A job which allows you to use your skills and abilities to the fullest extent"). Leary, Wheeler, & Jenkins (1986) supported this interpretation, suggesting that jobs which allow one to use skills and abilities are personally but not socially rewarding. If individuals perceived job-based pay as a better conduit for self (as opposed to team) development, they might have been more likely to choose it. This possibility is supported by the fact that individuals with high GNS were also significantly more attracted to an individual-based pay plan.

The GNS scale also yielded other unexpected results. Individuals with high GNS scores were more attracted to flexible benefits. In retrospect, this result is not surprising since the participation and investment involved in the development of a benefits plan could be interpreted as a greater personal investment on the job. Individuals with high GNS scores also saw pay level as less important. This result fits within the precepts of equity theory, which suggests that individuals attempt to balance the outcomes they receive and the inputs they invest such that individuals who expect to obtain growth from the job itself (e.g., high GNS) may have less demand for additional outcomes (e.g., pay level). Risk averse individuals also placed less emphasis on pay level as a criterion in their job pursuit process, possibly indicating that individuals who evaluate risk very negatively may be willing to sacrifice pay level to achieve fixed pay. This finding also suggests that employees who are willing to take on more risks may demand pay

premiums to do so. While these post-hoc speculations about the unhypothesized interactions appear theoretically consistent, they demonstrate the need for further investigation into the interactive effects of pay systems and individual differences.

While some unexpected results occurred, the results from the person-organization fit analysis were largely consistent with the hypotheses, suggesting that pay systems may cause consistent self-selection behavior in job seekers. Expected positive relationships were found between locus of control and flexible benefits, self-efficacy and skill-based pay, materialism and pay level, risk aversion and fixed pay, collectivism and group-based pay, and self-efficacy and individual-based pay. Furthermore, there appears to be substantial discrimination between hypothesized and unhypothesized effects. Specifically, the average non-hypothesized beta coefficient was .07 (*ns*) while the average hypothesized beta coefficient was .22 ($p < .05$), suggesting the ability to accurately predict the relationship between individuals and pay systems.

Limitations and Strengths

This study has a number of limitations that should be acknowledged. First, much of the data was reported by respondents, so self-report bias may have influenced the observed results. However, a policy capturing method was employed to assess pay preferences rather than direct questions. With this method, individuals are placed more fully into the decision-making role, evaluating holistic positions rather than stating preferences for specific position factors. This also makes conscious manipulation of pay attributes' importance less likely by encouraging more realistic responses. Finally, with respect to the company data analysis, information was collected only on organizations with which respondents were currently interviewing to improve the accuracy and validity of the results.

Although policy capturing was utilized to avoid several of the problems inherent with self-report data, this method has also been criticized. Researchers argue that the mathematical representation of decision making may be inappropriate, that erroneous assumptions may exist, and that unrealistically large decision alternatives may be given to respondents (Schwab et al., 1987). The average R^2 coefficient for the policy capturing analysis was .68, and the results were

largely supported by company data, providing evidence that the experimental design accurately captured respondents' decision making processes. Furthermore, this study is less subject to criticism concerning the number of alternatives offered because 36 job possibilities is not unusually large for the sample due to the number of openings generated by the placement office. Finally, there is ample evidence confirming the appropriateness of policy capturing in job search and choice research (Judge & Bretz, 1992; Rynes et al., 1983).

While there are weaknesses in all studies, the limitations in the present study appear to be offset by a number of strengths. Because various research methods offer a more meaningful understanding of results, an experimental design was supported by actual company decisions, and the role of individual differences in pay system preferences was examined. While each of these methods may have individual limitations, together they provide a rigorous test of the hypotheses. The experimental design and structured judgment situation allow greater control and permit greater causal inference while the company data extend the generalizability of the findings.

This study also gains credibility through the fact that most respondents (88%) were behaving in role because they were interviewing for positions at the time of the study, and were making job search and choice decisions. Thus, the sample is prototypic (Sackett & Larson, 1991) in that respondents possessed the essential characteristics defining membership in the intended target population. Furthermore, because the sample drew from six majors in two schools (engineering and hotel administration), at three degree types (BA, BS, and MS) and two degree levels (Bachelor's and Master's), the respondents should be representative of interviewing college graduates.

This study was also carefully designed to be as realistic as possible. Consistent with Rynes et al. (1983), relevant average starting pay levels were calculated based on placement office records of recent salary offers. The variability in pay level was also carefully designed to indicate realistic differences. Furthermore, when responding to questions about organizations, participants only answered questions about companies for which they were eligible to interview. Job search was chosen over job choice as a dependent variable because while most of the participants were

involved in the interviewing, or job search process, few had made job choices. Relatedly, it is not unrealistic for job seekers to pursue 36 organizations, reinforcing the use of the policy capturing design. Each of these procedures is expected to increase the external validity of the results.

Contributions

The present study makes contributions to several research literatures, and also suggests some practical applications. First, this study adds to the existing literature concerning the direct effects of pay systems on job search and choice. As Gerhart and Milkovich (1992) recently suggested, research to date on the staffing implications of compensation systems has focused on relative pay level at the neglect of other pay system attributes. While this literature has been recently expanding (Bretz & Judge, 1992; Turban & Keon, 1993; Williams & Dreher, 1992), the present study offers the first comprehensive examination of five strategic compensation decisions as they directly affect the job search and choice process. Furthermore, this is the first study to examine the implications of contingent pay and skill-based pay on job search and choice.

Building on Bretz et al. (1989) and Judge and Bretz (1992), the present study offers the first integral empirical test of the theoretical relationships between strategic compensation system attributes, dispositional influences, and job search and choice decisions. Specifically, this study addresses and supports the notion that job seekers may self-select themselves in to or out of organizations' selection processes based on the match between their dispositions and organizations' pay systems. In this context, the present study provides an important step in filling a research gap cited by compensation researchers (Gerhart & Milkovich, 1992; Rynes, 1987), and offers support to a critical component of Schneider's (1987) attraction-selection-attrition model. Furthermore, this study responds to the organizational culture measurement problem (Chatman, 1989), suggesting that pay systems offer one direct measure of organizations' fundamental assumptions, values and expectations. In accord with Bowen, Ledford, and Nathan (1991) and Judge and Ferris (in press), the present study offers support for utilizing pay systems as a means to complete organizational analyses and to hire more effectively for organizational fit.

While this study makes important contributions to the research literature, it also has substantive implications for practice. First, the results of this study lend weight to the importance of compensation systems. Because the results suggested that certain pay policy decisions may have direct effects on application rates, and also may attract certain types of applicants, it adds to the already established importance of aligning compensation systems and organizational goals, culture, and business objectives. Although many questions about pay system choices and staffing implications remain unanswered (e.g., what are the effects of lagging the market by 15% on application and acceptance rates?), the results from the present study suggest that pay system characteristics do have important effects in the staffing process.

Both the experimental and company results indicate that organizations can attract the largest number of applicants with fixed pay, flexible benefits, and high pay levels. All else equal, then, organizations should consider utilizing these types of pay characteristics and communicating them to applicants. The results also indicate that the attractiveness of these and other pay characteristics may be heightened in their interpretation by certain types of individuals. Thus, organizations may be able to maximize the utility of their pay systems and compensation dollars by establishing and communicating pay policies (e.g., variable compensation) which are attractive to the types of individuals they wish to attract. For instance, organizations who wish to attract and retain innovative, entrepreneurial employees may be wasting resources on a fixed salary if their ideal employees desire commission and flexible hours over stable pay. Finally, it may not be necessary for organizations to develop their pay systems based on the types of employees they wish to attract. Since compensation policies should be based on organizational and business objectives and culture, strategic planning often produces the same solutions, regardless of whether the objective is performance, retention, or recruitment (Rynes, 1987).

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Table 1

Overview of the Pay System Attributes

Strategic Compensation Decision	Pay System Variables	Dichotomous Conditions	Dichotomous Manipulations
External Competitiveness	Pay Level	Low	* The starting annual salary for this position is \$38,570.
		High	* The starting annual salary for this position is \$46,570.
Benefits	Benefits flexibility	Flexible	* Employees in this company are given an amount of cash to spend on benefits options (e.g., flexible benefits).
		Rigid	* Employees are assigned a standard benefits package based on their pay level.
Individual Differences in Pay / Employee Contributions	Focus	Group	* Pay increases in this organization are based on evaluations of individual achievement.
		Individual	* Pay increases in this organization are based on evaluations of group achievement.
Special Topics: Pay-at-risk	Pay Stability	Contingent Pay	* Employees' offered salary is the target, or expected annual salary -- actual pay is contingent on the success of the organization and can range from 15% below offered pay to 25% above offered pay.
		Fixed Pay	* Employees' pay is fixed at the assigned level.
Special Topics: Knowledge-Based Pay	Pay Base	Knowledge based Pay	* Employees' pay reflects the number of different jobs employees can perform at the company, and raises are based on acquiring new skills.
		Job Based Pay	* Employees' pay reflects the value of their position to the company, and raises are based on job performance.

Table 2

Generalized Least Squares Estimates Predicting Desire to Pursue Position: Policy Capturing

Variable	β	SE	Δ R-Square	R Square
<u>Step 1: Control Variables</u>			0.057**	0.057**
Labor Market Alternatives	-.011	(.013)		
Male	.025	(.013)*		
Grade-Point Average	-.127	(.013)**		
Masters vs. Bachelors Student	.070	(.014)**		
Number of Semesters Before Job Search	.048	(.013)**		
White	-.050	(.013)**		
Order of Personality Scale	.029	(.013)*		
Job Experience	-.105	(.014)**		
Age	.029	(.015)*		
Engineer vs. Hotel Students	.141	(.014)**		
<u>Step 2: Hypothesized Main Effects</u>			0.268**	0.325**
High Pay Level	.502	(.012)**		
Fixed vs. Contingent Pay	.141	(.013)**		
Rigid vs. Flexible Benefits	-.099	(.012)**		
Job vs. Skill-based Pay	.128	(.013)**		
Individual vs. Group Focus	.199	(.013)**		

* $p < .05$; ** $p < .01$ (one-tailed tests); $n = 5,142$.

Table 3

Generalized Least Squares Estimates Predicting Desire to Pursue Position: Company Data

Variable	β	SE	Δ R-Square	R Square
<u>Step 1: Control Variables</u>			0.025**	0.025**
Labor Market Alternatives	.057	(.026)*		
Male	.068	(.026)**		
Grade Point Average	.008	(.025)		
Masters vs. BS Student	.069	(.028)**		
Number of Semesters Before Job Search	-.032	(.025)		
White	-.023	(.024)		
Order of Personality Scale	-.032	(.024)		
Job Experience	-.010	(.028)		
Age	-.039	(.029)		
Engineer vs. Hotel Student	-.163	(.027)**		
 <u>Step 2: Hypothesized Main Effects</u>			0.230**	0.256**
High Pay Level	.200	(.027)**		
Fixed vs. Contingent Pay	.082	(.024)**		
Rigid vs. Flexible Benefits	-.153	(.027)**		
Job vs. Skill-based Pay	-.064	(.025)**		
Individual vs. Group Pay	-.004	(.025)		

* p < .05; ** p < .01 (one-tailed tests); n = 1,442.

Table 4

Multiple Regression Estimates Predicting Pay Preferences

Independent Variables	Dependent Variables									
	Rigid Benefits		Job-Base Pay		High Level		Fixed Pay		Individual Pay	
	β	SE	β	SE	β	SE	β	SE	β	SE
Collectivism	-.033	(.082)	.065	(.080)	.066	(.078)	.074	(.079)	-.355	(.074) **
Materialism	-.035	(.084)	.006	(.083)	.175	(.081) *	.034	(.082)	-.083	(.076)
Risk Aversion	-.090	(.086)	-.008	(.085)	-.186	(.083) *	.267	(.083) **	.101	(.078)
Ext. Locus of Control	.155	(.091) *	.082	(.088)	.072	(.086)	-.083	(.087)	-.061	(.081)
Self-Efficacy	.037	(.098)	-.241	(.095) **	.070	(.093)	-.005	(.094)	.119	(.088) †
Growth Need Strength	-.243	(.089) **	.187	(.088) ††	-.180	(.086) *	.023	(.087)	.190	(.080) **
Order of Survey	-.058	(.083)	.008	(.081)	-.049	(.080)	.001	(.080)	.104	(.075)

Note: Shaded areas represent hypothesized relationships.

† $p < .10$; * $p < .05$; ** $p < .01$; (one-tailed tests); $n = 159$.

†† Significant at $p < .05$ but not in the predicted direction.