



Social patterns of pay systems and their associations with psychosocial job characteristics and burnout among paid employees in Taiwan[☆]

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ABSTRACT

Today, performance-based pay systems, also known as variable pay systems, are commonly implemented in workplaces as a business strategy to improve workers' performance and reduce labor costs. However, their impact on workers' job stress and stress-related health outcomes has rarely been investigated. By utilizing data from a nationally representative sample of paid employees in Taiwan, we examined the distribution of variable pay systems across socio-demographic categories and employment sectors. We also examined the associations of pay systems with psychosocial job characteristics (assessed by Karasek's Demand-Control model) and self-reported burnout status (measured by the Chinese version of the Copenhagen Burnout Inventory). A total of 8906 men and 6382 women aged 25–65 years were studied, and pay systems were classified into three categories, i.e., fixed salary, performance-based pay (with a basic salary), and piece-rated or time-based pay (without a basic salary). Results indicated that in men, 57% of employees were given a fixed salary, 24% were given a performance-based pay, and 19% were remunerated through a piece-rated or time-based pay. In women, the distributions of the 3 pay systems were 64%, 20% and 15%, respectively. Among the three pay systems, employees earning through a performance-based pay were found to have the longest working hours, highest level of job control, and highest percentage of workers who perceived high stress at work. Those remunerated through a piece-rated/time-based pay were found to have the lowest job control, shortest working hours, highest job insecurity, lowest potential for career growth, and lowest job satisfaction. The results of multivariate regression analyses showed that employees earning through performance-based and piece-rated pay systems showed higher scores for personal burnout and work-related burnout, as compared to those who were given fixed salaries, after adjusting for age, education, marital status, employment grade, job characteristics, and family care workloads. As variable pay systems have gained in popularity, findings from this study call for more attention on the tradeoff between the widely discussed management advantages of such pay systems and the health burden they place on employees.

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Introduction

Pay has always been one of the most sensitive issues in employment relationships. As market competition intensifies, many enterprises are under pressure to rearrange their pay strategies. Performance-based pay systems (also known as variable pay

systems), which tie rewards to employee output more closely than fixed pay systems, have been advocated as efficient business strategies to promote desired work attitude and performance, as well as to reduce labor costs (Kurdelbusch, 2002; Lawler, 1990). At the policy level, performance-based pay systems have also been promoted as a means to increase employment opportunities (Cowling, 2000, 2002). However, performance-based pay systems often come with a greater extent of performance evaluation and a more competitive work climate, and thus might have deleterious impacts on employees' well-being.

Performance-based pay systems encompass all forms of pay that are not held to a fixed amount, and they are designed primarily to achieve and reinforce organizations' for-profit objectives (Lawler, 1990). Among all possibilities, piece-rate pay without any basic

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salary might be the most typical one. Other forms of performance-based pay systems include those that are tied to the performance of individual workers, group units, or that of the whole company, either through profit-sharing, annual bonuses, or employee ownership plans (Howard, 2004; Kurdelbusch, 2002). These pay systems usually include a basic salary. Some recent surveys have indicated that performance-based pay systems were common in both developing and developed countries (Hansen, 2006; Kurdelbusch, 2002; Watson Wyatt, 2005). However, the potential for an adverse impact on job conditions and workers' health has rarely been studied.

As illustrated in Fig. 1, we postulate that external macro-economic and social conditions—such as the growing dominance of service sectors, intensified market globalization, and changes in employment relationship and related policies—might push organizations to adopt more cost-efficient management strategies, including performance-based pay systems. Such pay systems might adversely affect employees' health and well-being in the following two ways: (1) psychosocial and behavioral responses and (2) changes in work arrangements.

Psychosocial and behavioral responses

From management's perspective, one of the primary purposes of applying variable pay systems is to create an active work climate, in which employees gain a sense of ownership and self-control and are motivated to achieve higher levels of work performance (Lawler, 1990). In Burawoy's classic sociological study of labor process, he elaborated on how the design of pay systems affected workers' motivation, work behavior, and even self-identity. With the design of variable pay systems, employers were able to align conflicting interests of workers with that of employers and motivate workers to actively cooperate with the management. Individual-based pay systems also led to a more individualized work environment, in which workers were made to compete with each other. Burawoy

concluded that with the manipulation of pay systems, workers' collective consciousness against management's control had been greatly dissolved (Burawoy, 1979). We hypothesize that employees with performance-based pay systems might be more motivated, but they will also be more competitive, and will thus be prone to stress-related illnesses. Some empirical studies have been supportive of this theory. For example, an experimental study of 45 professional typists found a significant increase in blood pressure when study subjects were given monetary incentives during data entry task tests (Schleifer & Okogbaa, 1990). In several surveys conducted with blue-collar workers, those with performance-based pay were found to have higher levels of depression and more somatic health complaints and workplace injuries than workers with fixed pays (Kaminski, 2001; Landsbergis, Cahill, & Schnall, 1999; Shirom, 1999).

Changes in work arrangements

In addition to its psychosocial effects, the adaptation of performance-based pay systems may entail adverse changes in working arrangements, including heavier workloads, higher work pace and tighter performance evaluation. The effects on workers' job control are more controversial, however. Workers with performance-based pay might be given greater job autonomy and a sense of empowerment (Cowling, 2000; Kanawaty, 1992). On the other hand, it has been argued that without representative participation and industrial democracy, performance-based pay will only enhance the power of management and weaken workers' collective power. Performance-based pay systems might also further worsen the existing social inequalities in working conditions, including work hazards and work rewards. For example, pay flexibility may favor those who play central roles in organizations; while for peripheral workers whose skills are more replaceable, pay flexibility would entail worsened working conditions and greater employment insecurity.

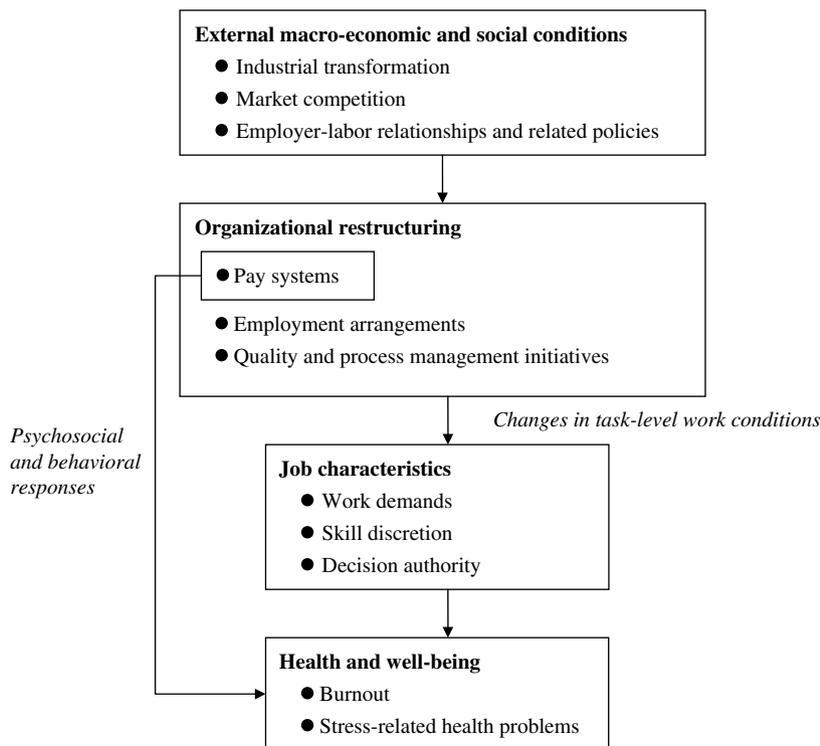


Fig. 1. Conceptual model linking pay system with workers' health and well-being.

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