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Pay is not everything: differential effects of monetary and non-monetary rewards on employees' attitudes and behaviours

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3 **Pay is not everything: Differential effects of monetary and non-monetary rewards on**
4 **employees' attitudes and behaviours**
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9 **Abstract**
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11 **Purpose** – Monetary and non-monetary rewards have rarely been considered together under
12 the HRM perspective. Despite the vast literature on HRM, there is still a lack of studies that
13 explicitly discuss the link between the adoption of a Total Reward System (TRS) and
14 employee-related outcomes. The present paper investigates this important issue in order to
15 provide insights that can help organisations devise compensation strategies that are effective
16 in sustaining employees' positive attitudes and behaviours.
17

18 **Design/methodology/approach** – Using a survey of 1,092 employees, we examine the effect
19 of the overall TRS on three outcome variables (i.e., job satisfaction, affective commitment,
20 and innovative behaviour at work). We examine the impact that each component of the TRS
21 (i.e., base pay, training and development opportunities, and positive work environment) has
22 on the dependent variables.
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25 **Findings** – Results confirm that the adoption of a TRS exerts a positive influence on the
26 aforementioned outcomes.
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28 **Originality/value** – This paper provides original insights into the complex relationship
29 between TRS and the employee-related outcomes of job satisfaction, affective commitment,
30 and innovative behaviour at work.
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Introduction

In any organisation, rewards play an important role in sustaining high levels of individual performance, in addition to promoting employees' commitment and involvement. In order to attract and retain skilled employees, companies have developed multifaceted compensation systems. However, the ongoing economic crisis has forced many organisations to rethink their reward strategies, leading them to combine monetary and non-monetary rewards through the adoption of a Total Rewards System (TRS). This system presumes that people are interested in partnering with organisations that provide not only attractive economic conditions, but also a compelling future, individual growth, and a positive workplace.

Organisations invest in both monetary and non-monetary rewards in order to signal their interest in and appreciation towards their employees and, like any other form of investment, rewards are often measured in terms of their return. Thus, organisations have become increasingly interested in understanding the impact of their adopted Human Resource Management (HRM) practices on employees' attitudes and behaviours (Appelbaum et al., 2000; Nishii, Lepak, and Schneider, 2008; White and Bryson, 2013).

However, monetary and non-monetary rewards have rarely been considered together from the HRM perspective. Despite the vast literature on HRM, there is still a dearth of studies that explicitly describe the link between adopting a TRS and employees' consequent attitudes and behaviours. Nonetheless, it might be useful to understand whether organisations benefit more from adopting a whole TRS or just some of its separate components. This is an important and under-explored issue that deserves greater consideration, especially in the wake of increasing global competition.

The present study intends to fill this gap by investigating the impact of employees' perceptions of TRS on a range of employee outcomes such as job satisfaction, affective commitment, and the tendency to adopt innovative behaviours.

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3 By addressing the relationship between TRS and employees' attitudes and behaviours we
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5 contribute to the HRM literature. More specifically, we explore the differential role of three
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7 main components (i.e., fair base pay, training and development opportunities, and positive
8
9 work environment) that qualify monetary and non-monetary rewards. Our findings support
10
11 the notion that distinct compensation practices may be more effective in fostering certain
12
13 employees' outcomes than others. Therefore, our findings contribute to literature by providing
14
15 useful insights on how to constitute coherent bundles of reward and recognition practices that
16
17 maximize the desired impact on employees' attitudes and behaviours.
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20 We adopted a structural equation modelling approach and tested our hypotheses using a large
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22 sample of 1,092 employees from 12 Italian organisations.
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30 **Theoretical background**

31 *Total reward system and employee outcomes*

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33 Over the last twenty years, scholars have made significant progress in clarifying the
34
35 association between HRM practices and various performance measures. Research in this
36
37 domain has largely confirmed the existence of a positive link between organisations' HRM
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39 systems, positive employee outcomes and better organisational performance (Paauwe, 2009).
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41 Moreover, there is empirical evidence demonstrating a causal chain between HRM practices
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43 and organisational performance (Purcell et al., 2009). According to Purcell and his colleagues
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45 (2009), in order to positively influence an organisation's performance, HRM practices need to
46
47 positively affect employees' attitudes and behaviours, which in turn will impact
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49 organisational outcomes. Therefore, HRM practices are associated with organisational
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51 performance through their influence on employees' attitudes and behaviours.
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3 As monetary rewards constitute the traditional compensation that employees expect for their
4 efforts (Malhotra, Budhwar, and Prowse, 2007), previous studies have primarily focused on
5 this reward type, documenting its significant role in promoting task performance (Bonner,
6 Hastie, Sprinkle and Young, 2000). Only recently have a few attempts been made to consider
7 different forms of compensation and their relationship to employee outcomes. Rafiq and his
8 colleagues (2012), for instance, highlighted the different effects of intrinsic and extrinsic
9 rewards on job satisfaction. Similarly, Dzurainin and Stuart (2012) examined the effects of
10 monetary and non-monetary incentives on task performance and task attractiveness, as well as
11 on performance and satisfaction. The authors suggested that companies with existing
12 monetary incentives may consider adding non-monetary rewards to their performance
13 incentive systems. Although they adopt different theoretical models, these studies overall
14 confirm a need to better understand the consequences of different types of rewards on
15 employees' attitudes and behaviours.

16
17 In an attempt to fulfil this need, the present study utilizes a more systematic approach by
18 looking at the different components generally included in a TRS. A total reward approach
19 recognizes that monetary rewards and benefits represent a necessary, but insufficient
20 condition for developing a committed workforce. Rather, this approach suggests that the
21 concept of rewards should encompass non-monetary forms of compensation, such as
22 opportunities for career growth, a supportive and caring environment, and working conditions
23 that allow employees to balance the personal and professional spheres. Studies adopting this
24 approach (Lyons and Ben-Ora, 2002;) have proposed four major components of TRS:

- 25 1. *Base pay*, which includes elements such as base salary, variable pay, recognition and
26 stocks;
- 27 2. *Benefits*, such as health care, retirement, savings and time off;

3. *Training and development opportunities*, such as career development, performance management, succession planning and training;
4. *Work environment*, which includes intangible elements such as the organisation climate, leadership, performance support and work/life balance.

A number of studies already provide support for the role of such non-monetary components. For instance, Boselie (2010) showed that non-financial compensation represents an important incentive for employees, especially when the organisation has serious financial limitations. In a study of the non-profit sector, Leete (2000) found that non-monetary rewards are more strongly related to employees' engagement than monetary rewards. Bakker and Demerouti (2008) extended this finding to other industries by documenting a positive influence of TSR on employees' level of engagement in their organisations.

In the present study, we consider both monetary rewards and non-monetary rewards simultaneously. Based on previous literature (Armstrong and Stephens, 2005; Purcel et al., 2009), we expect TRS to positively impact employee-related outcomes, as the overall effect of the different types of rewards can better satisfy individual needs. Our expectation aligns with not only the "happy-productive workers" thesis (Wright and Cropanzano, 2007), but also the general belief that a bundle or set of HRM practices, such as a TRS, supports a "mutual gains perspective" (Guest, 2002). Central to this view is the idea that an overall approach to rewarding and recognition is beneficial for both employees and organisations. To employees, the adoption of a TRS suggests that their organisations want a wider approach to rewarding and recognising their efforts. This choice signals the organisation's interest in satisfying individual employees' emotional and motivational needs, far from a "one-size-fits-all".

Drawing on social exchange theory (Gouldner, 1960) and signalling theory (Connelly et al., 2011), employees are expected to reciprocate the organisation's effort by developing positive

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3 attitudes towards the organisation, putting extra-effort in their tasks and engaging in various
4 forms of extra-role behaviours (Peccei, Van De Voorde and Van Veldoven, 2013).

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7 For organisations, TRS can also serve as a potential source of competitive advantage,
8 enabling organisations to respond more flexibly to internal changes and better align
9 employees' performance with organisational goals. Moreover, previous studies indicate that
10 'bundles' of interrelated and internally consistent HRM practices are the appropriate unit of
11 analysis because they create reinforcing conditions to support employees' motivation and skill
12 acquisition (Guthrie, 2001; Huselid, 1995). Implicit in the notion of a bundle is the concept
13 that, as far as the impact on outcomes is concerned, 'more is better' because multiple
14 practices will give overlapping and mutually reinforcing effects (Innocenti et al., 2011).

15
16 Consistent with this approach, we focused our analysis on a set of practices oriented toward
17 employee rewarding and recognition.

18
19 We also focused our analysis on employees' perceptions of rewarding practices. We decided
20 to focus on employees' attitudes and behaviours as they represent the first "link" in the
21 "chain" that binds together HRM practices and organisational performance (Purcell et al.,
22 2009). In the remainder of this paper, when we talk about HRM practices, we refer to
23 employees' perceptions of said HRM practices.
24

25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 ***Job satisfaction***

46
47 Job satisfaction is defined as a pleasurable or positive emotional condition resulting from a
48 worker's evaluation of his/her working experience (Locke, 1969). It is central to employees'
49 work lives and, by extension, to the effective use of personnel within organisations (Koeske,
50 Kirk, Koeske, and Rauktis, 1994). Employees' job satisfaction can be predicted by their
51 evaluation of the work climate, levels of organisational support, and the employment situation
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3 itself (Patah, Zain, Abdullah and Radzi, 2009). Employees satisfied at work are more likely to
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5 be stable, productive and oriented towards organisational goals. This dimension is measured
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7 by the extent to which employees feel positive about their working environment and take
8
9 pleasure in doing their job.
10

11 12 13 14 *Affective commitment*

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16 Organisational commitment refers to the degree to which employees identify with their
17
18 employer, their level of attachment to their organisation, and their willingness to expend
19
20 effort on the organisation's behalf. In the present study, we focus on affective commitment
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22 (Meyer and Allen, 1997), in line with most HRM research in this area. Affective commitment
23
24 is predominant in research as it is the form of commitment that organisations most often want
25
26 to see due to its overlap with desirable behavioural outcomes, such as staying in the
27
28 organisation and engaging in both in-role and discretionary effort at work (Meyer and Allen,
29
30 1997). Prior studies agree that affective commitment have positive consequences for both
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32 employees and organisations (Ko et al., 1997; Solinger et al., 2008; Bergman, 2006).
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38 39 *Innovative work behaviour*

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41 Innovative work behaviour refers to those actions that employees assume spontaneously
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43 within their organisation, outside of their prescribed roles, that can bolster a company's
44
45 success. Organisations that aim to enhance their competitive advantage need to constantly
46
47 innovate and improve their processes and activities. Therefore, employees who provide
48
49 suggestions and improvements represent a valuable resource for the organisation.
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51
52 Janssen (2000) defined innovative work behaviour as the intentional creation, introduction,
53
54 and application of new ideas within a work role, group or organisation for the purpose of
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56 improving one or more of those domains.
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3 Recent research has uncovered several variables that correlate with innovative work
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5 behaviour. These include personality traits (Harrison et al., 2006), individual competencies
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7 (Bunce and West, 1994), and motivation (Amabile, 1988). Admittedly, few attempts so far
8
9 have been made to evaluate the influence of HRM practices on innovative work behaviour,
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11 although this represents a growing stream of research (Veenendaal and Bondarouk, 2015).
12
13 However, those few studies so far confirm that HRM practices play a crucial role in
14
15 enhancing the creativity of individual employees (Dul, Ceylan, and Jaspers, 2011). Based on
16
17 previous literature, we expect the adoption of a TRS to positively influence job satisfaction,
18
19 affective commitment and innovative work behaviour. Therefore, we propose the following
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21 hypothesis:
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27 ***Hypothesis 1: Employees' perceptions of a Total Reward System will have a positive effect on***
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29 *(a) job satisfaction, (b) affective commitment and (c) innovative work behaviour.*
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34 In addition to investigating these effects at an aggregated level, we intend to shed light on the
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36 discrete influence of each TRS component, which we describe below.
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40 ***Base pay***

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42 In our study, we focus on employees' perceptions of fair base pay, as this dimension captures
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44 individuals' evaluation of their exchange with the organisation. Adams' (1963) equity theory
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46 has been largely adopted to clarify these exchanges, specifically in relation to rewarding and
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48 recognition policies (Arnold et al., 2009). However, few studies have empirically examined this
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50 relationship.
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54 When individuals are asked why they work, money is one of the most commonly cited reasons
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56 (Jurgensen, 1978). For most workers, the choice to work may not be seen as much of a choice
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3 at all, since money provides sustenance, security, and privilege. Still, employees' level of
4 alignment with the firm may depend on payment schemes (Deckop, Mangel and Cirka, 2009;).
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6 However, the authors also note that, despite the considerable attention given to the income-
7 happiness relationship in psychology (Diener and Seligman, 2004; Diener, Suh, Lucas and
8 Smith, 1999), the relationship between base pay and employees' attitudes and behaviours
9 remains largely untested. Among the studies exploring this relationship, Gardner, Van Dyne
10 and Pierce (2004) reported that pay level enhances performance through increased
11 organisation-based self-esteem. Meanwhile, Scholl et al. (1987) showed that perceptions of fair
12 pay have a relationship to pay satisfaction, intent to remain with a company, and frequency of
13 extra-role behaviour. Accordingly, Shaubroeck and colleagues (1994) found a negative
14 association between perceptions of pay hardship and commitment, job satisfaction and turnover
15 intentions.
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17

18
19 On the theoretical end, there are several explanations supporting the link between pay and
20 positive attitudes and behaviours. Gardner et al. (2004) suggested that base pay level,
21 consisting of cumulative increases in pay over time, represents a strong signal of employees'
22 worth to the organisation. Pay level usually reflects several years of prior performance, as
23 well as other behaviours and characteristics such as skills, education, and expressed attitudes
24 (Pillay, 2009). Therefore, on the basis of the social exchange theoretical framework
25 (Gouldner, 1960) and signalling theory (Connelly et al., 2011), one can expect that positive
26 evaluations of a salary's fairness help to maximize employees' positive affect at work and
27 increase overall levels of organisational commitment.
28

29 Simultaneously, there have been inconsistent results linking pay and job satisfaction. Pay is
30 generally acknowledged as a "hygiene factor" (Herzberg, 1966) that can impede job
31 satisfaction if missing or inadequate, but does not necessarily contribute to it. In a study of
32 nurses, Pillay (2009) reported no significant relationship between monetary rewards and job
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3 satisfaction. Based on the above considerations, and following the evidence of Judge and
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5 colleagues' meta-analysis (2010), we expect perceptions of fair pay to bear a positive, but
6
7 modest, influence on job satisfaction.
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10 Regarding innovative behaviours, previous research suggests that discretionary behaviours are
11
12 primarily supported by intrinsic or non-monetary rewards. This seems sensible, since extra-
13
14 role behaviours, which go above and beyond the call of duty, are not explicitly recognized by
15
16 the formal reward system (Konovsky and Pugh, 1994). However, the few studies examining
17
18 the relationship between pay and innovative work behaviour have yielded contradictory
19
20 results. Scholl et al. (1987) found that a direct measure of pay equity was positively correlated
21
22 with discretionary behaviour. In a recent study, Veenendal and Bondarouk (2015) studied
23
24 both a positive and negative link between fair pay and innovative behaviour. Overall, their
25
26 results pointed to a negative relationship between fair compensation and innovative work
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28 behaviour. Based on the above findings, we expect that employees' perceptions of their fair
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30 pay will not affect their innovative work behaviour either positively or negatively.
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34 ***Hypothesis 2: Employees' perceptions of fair base pay will have a positive effect on (a)***
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36 ***affective commitment, (b) on job satisfaction and (c) on innovative work behaviour***
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39 40 ***Training and development opportunities***

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42 In a global economy, organisations are increasingly compelled to diversify the skills and
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44 knowledge of their workforce. Likewise, employees are more and more interested in
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46 improving their skills, as they recognize the need to constantly expand their capabilities in
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48 order to sustain their employability. Accordingly, opportunities for growth and development
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50 are among the most consistent predictors of positive, individual-level outcomes, such as
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52 attitude, motivation, and empowerment (Aguinis and Kraiger, 2009). Operationally, training
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54 refers to a systematic approach to learning that improves individual, team, and organisational
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3 effectiveness, while development refers to activities that facilitate the acquisition of skills for
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5 the purpose of personal growth (Goldstein and Ford, 2002).
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8 Prior research suggests that the adoption of HRM practices in the areas of training and
9
10 development helps maximize employees' positive affective reactions at work and increases
11
12 their overall levels of satisfaction, resulting in a better quality of work life for employees. In a
13
14 study of employees from 37 Italian companies, Innocenti, Profili and Sammarra (2013) found
15
16 that HR development practices exerted a positive influence on employees' job satisfaction and
17
18 affective commitment. These findings corroborated social exchange and signalling theories,
19
20 which postulate that "employees view HRM practices as a personalized commitment to them,
21
22 an investment in them, and as recognition of their contributions – which they then reciprocate
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24 through corresponding positive attitudes" (Kooij et al., 2010: 1128). Meanwhile, training
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26 might also contribute to satisfaction by introducing some variety into the daily routine,
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28 although this effect might only be temporary. As noted by Veenendaal and Bondarouk (2015),
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30 employees' perceived training opportunities as important resources that positively influence
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32 their level of idea generation, which enhances their sets of knowledge and skills (Amabile et
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34 al., 1996). Consequently, employees may feel more secure in suggesting new ideas and
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36 experimenting with new solutions.
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40 Overall, previous research shows that a supportive and stimulating environment with
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42 opportunities for further development enhances idea generation and innovation (see also Hall
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44 and Mirvis, 1995). Therefore, we expect positive perceptions of training and development
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46 opportunities to enhance job satisfaction, affective commitment and innovative work
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48 behaviour.
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3 **Hypothesis 3:** *Employees' positive perception of training and development opportunities will*
4 *have a positive effect on (a) job satisfaction, (b) affective commitment and (c) innovative work*
5 *behaviour.*
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12 **Positive work environment**

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14 Among the key factors in promoting employees' motivation and performance, the workplace
15 setting is gaining increasing attention. Different jobs are performed under conditions that vary
16 from comfortable to strenuous or dangerous (Butt et al., 2012). Thus, employees are
17 increasingly making employment decisions based on organisations' reputation for creating
18 caring and supportive work environments. There is evidence that work environment
19 characteristics and physical environment features positively impact employees' commitment
20 (Janakiraman, Parish and Berry, 2011). Similarly, Baron and Greenberg (2003) contended
21 that workers would rather have working conditions that result in greater physical comfort and
22 convenience; the absence of such conditions could negatively impact employees'
23 psychological and physical well-being.
24

25 Social exchange theory suggests that, when organisations demonstrate that they value their
26 employees, employees in return feel obligated to exchange positive attitudes and behaviours
27 that are valued by the organisations (Dawley, Andrews and Bucklew, 2008). As a result, we
28 expect perceptions of a positive work environment – such as a place with good physical and
29 psychological conditions, as well as opportunities for work-life balance – to bring out the best
30 in employees and increase their commitment and performance (Aryee, Budhwar and Chen,
31 2002).
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51 **Hypothesis 4:** *Employees' perceptions of a positive workplace environment will have a*
52 *positive effect on (a) job satisfaction, (b) affective commitment and (c) innovative work*
53 *behaviour.*
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Method

Sample Description

A questionnaire was administered to a large sample of 1,250 employees from 12 organisations located in Italy, both multinational and domestic. The sample included four companies with 250-500 employees, four with 501-1,000 employees and four with 1,001-2,000 employees. The sample encompassed a variety of companies from manufacturing (i.e., road, rail systems, washing, refrigerators and cooking machines, cables, personal care products, fitness and rehabilitation equipment), utility (power and distribution), consultancy and entertainment services.

Of the 1,250 employees contacted, 1,092 (50.4% males, 49.6% females) completed the questionnaire in all the relevant measures. Most respondents were between 26 and 34 years (42.6%) and between 35 and 44 years (29.4%), while those under 25 and over 45 accounted for 9.2% and 18.9% of the sample, respectively. Most respondents held a high school diploma (52.9%) or a bachelor's degree (27.3%), while 15% held a lower level of education and 4.8% held an advanced education (e.g., master's degree). 50.9% of respondents held an operational position, working within the administrative staff or the production/service area; 32.3% held a technical position, serving as specialized workers or technicians, while 16.8% held a managerial position, working as middle managers or executives.

The questionnaire was administered online and presented as part of a broader monitoring program for employees' opinions, run by a multinational consultancy firm that specializes in employee opinion surveys. Data confidentiality was assured to reduce potential desirability bias and increase responses' general validity.

Measures

The items on each measure in the questionnaire were assessed on a five-point scale (1 = almost always not true, 5 = almost always true). Each measure was checked for

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3 unidimensionality using a principal component analysis, and for internal consistency using
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5 Cronbach's α coefficient.

6
7 *Fair Pay.* Perception of fair base pay was assessed using two items: "Here I'm paid fairly for
8
9 the work I do" and "I am paid fairly in view of my responsibilities and experience". These
10
11 two items loaded on a single factor (loadings = .92; 85% of variance explained) and were
12
13 adequately consistent ($\alpha = .82$).

14
15
16 *Training and development.* This construct was assessed using the following three items: "I have
17
18 a very good chance to get ahead with my organisation", "People working here are encouraged
19
20 to develop their skills" and "I am offered training or development opportunities to further
21
22 myself professionally". These items were unidimensional (loadings ranged from .80 to .87;
23
24 71% of variance explained) and reliable ($\alpha = .79$).

25
26
27 *Positive work environment.* This construct was assessed with four items: "This is a friendly
28
29 place to work", "This is a psychologically and emotionally healthy place to work", "I can be
30
31 myself around here", and "People are encouraged to balance their work life and personal life",
32
33 which were similar to those adopted in previous studies (Mokaya et al., 2013). These items
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35 were unidimensional (loadings ranged from .47 to .84; 57% of variance explained) and
36
37 reliable ($\alpha = .73$).

38
39
40 *Job satisfaction.* The focus of this study was on employees' overall feelings about their job.
41
42 Therefore, as suggested by previous literature (Nishii et al., 2008), we adopted a two-item
43
44 overall scale: "Overall, I am satisfied with my job" and "All in all, this job has lived up to my
45
46 expectations" (Boselie, 2010; Judge and Church, 2000), which was unidimensional (loadings
47
48 = .93; 87% of variance explained) and internally reliable ($\alpha = .84$).

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51 *Affective commitment.* Affective commitment was assessed using four items: "I feel a strong
52
53 sense of belonging to this organisation", "I feel myself to be part of this organisation", "When
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55 I look at what we accomplish, I feel a sense of pride" and "I'm proud to tell others I work
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3 here” (Meyer and Allen, 1997). These four items loaded a single factor (loadings ranged from
4
5 .79 to .89; 72% of variance explained) and were internally reliable ($\alpha = .87$).

6
7 *Innovative work behaviour.* This construct was assessed using the two items “I work very
8
9 hard continuously to innovate the outcomes of my work” and “I often come up with
10
11 innovative solutions in my work” (De Jong and Den Hartog, 2010), which were both
12
13 unidimensional (loadings = .89; 79% of variance explained) and internally consistent ($\alpha =$
14
15 .74).

16
17
18 *Control variables.* Based on existing theory and research, we included a number of control
19
20 variables in the model that may affect employee attitudes at work. The controls included
21
22 gender, age group, and level of education. Gender was assessed using a binary measure (0 =
23
24 male, 1 = female). Age group was assessed using a five-point ordinal scale (1 = 25 years and
25
26 lower, 2 = 26-34 years, 3 = 35-44 years, 4 = 45-54 years, 5 = 55 years and higher). Level of
27
28 education was assessed on a five-point ordinal scale (1 = junior high diploma, 2 = high school
29
30 diploma, 3 = university/college diploma, 4 = bachelor’s degree, 5 = master’s degree or
31
32 higher).
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37 38 **Results**

39
40 The conceptual model summarized in Figure 1 was tested using a structural equation modelling
41
42 approach. To test Hypothesis 1abc, we built a structural model, summarized in Figure 2, in
43
44 which TRS was specified as a second-order formative construct composed of its three
45
46 dimensions (i.e., fair pay, training and development, and positive work environment). Each of
47
48 these three dimensions was modelled as a latent reflective variable associated with a unique
49
50 observed indicator, the latter obtained by averaging the scores on individual items.
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54 Because those three dimensions of TRS comprise a broader formative construct, it is important
55
56 to address whether they are excessively inter-correlated. Excessive inter-correlation among the
57
58 dimensions would weaken the model’s validity by obscuring the distinct influence of each
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3 dimension (Diamantopoulos and Winklhofer, 2001). We checked these three dimensions for
4
5 collinearity using the variance inflation factor. The obtained variance inflation factor
6
7 coefficients ranged from 1.50 to 1.73, which were far below the common cut-off value of 10
8
9 (Diamantopoulos, Riefler, and Roth, 2008; Diamantopoulos and Winklhofer, 2001). Therefore,
10
11 fair pay, training and development, and positive work environment could be treated as
12
13 appropriate and distinct dimensions of the formatively measured construct of TRS. We
14
15 followed the same procedure as above to compute our three dependent variables—job
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17 satisfaction, affective commitment, and innovative work behaviour.
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23 - Insert Figure 1 and Figure 2 about here -
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27 We first checked all the variables involved in the structural model (Figure 2) for discriminant
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29 validity, assessing that correlations were less than 1 by an amount greater than twice the
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31 corresponding standard error (Bagozzi and Warshaw, 1990) (see Table 1). Then, we estimated
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33 the model in a path analysis using the maximum likelihood procedure. In addition to the
34
35 constructs of interest, the model also included gender, age group, and education level as
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37 control variables. Fit statistics were acceptable: $\chi^2(16) = 139.069, p < .001; \chi^2/d.f. = 8.692;$
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39 Goodness of Fit Index (GFI) = .973; Comparative Fit Index (CFI) = .961; Normed Fit Index
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41 (NFI) = .956; Standardized Root Mean Square Residual (SRMR) = .067 (Hu and Bentler,
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43 1998). In addition to the standardized structural weights of each dimension in determining the
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45 TRS construct (fair pay: $\gamma = .05, p = .04$; training and development: $\gamma = .51, p = .04$; positive
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47 work environment: $\gamma = .42, p = .04$), the results revealed a significant impact of TRS on the
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49 three employee outcomes. The results summarized in Table 2 indicate that, after controlling for
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51 the effects of gender, age group, and education level, TRS is positively related to job
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3 satisfaction ($\beta = .86, p = .04$), affective commitment ($\beta = .84, p = .04$), and innovative work
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5 behaviour ($\beta = .46, p < .04$).
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14 To test Hypotheses 2abc, Hypothesis 3abc, and Hypothesis 4abc, we estimated a similar
15 structural model in which employees' perception about TRS was disaggregated into its three
16 dimensions of fair pay, training and development, and positive work environment. We also
17 included the same control variables as before (Figure 3).
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22 The analysis returned acceptable fit statistics: $\chi^2(10) = 113.435, p < .001$; $\chi^2/d.f. = 11.343$; GFI
23 = .978; CFI = .967; NFI = .964; SRMR = .066. After accounting for the effects of gender, age
24 group, and education level (see Table 3), the path analysis revealed that fair price was
25 positively related to both job satisfaction ($\beta = .05, p = .03$) and affective commitment ($\beta = .05,$
26 $p = .04$), but not to innovative work behaviour ($p > .05$). Training and development was
27 positively related to job satisfaction ($\beta = .42, p < .001$), affective commitment ($\beta = .43, p <$
28 $.001$), and innovative work behaviour ($\beta = .32, p < .001$). Similarly, positive work environment
29 positively influenced job satisfaction ($\beta = .37, p < .001$), affective commitment ($\beta = .34, p <$
30 $.001$), and innovative work behaviour ($\beta = .13, p < .001$). Therefore, our hypotheses were
31 supported.
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- Insert Table 3 and Figure 3 about here -

General Discussion

Theoretical Implications

Overall, our study confirms the importance of better understanding the influence of HRM practices on employees' attitudes and behaviours. In particular, our study highlights the need to collect evidence regarding the relationship between TRS and positive outcomes at both the individual and organisational levels, such as job satisfaction, affective commitment and innovative work behaviour. In today's ever-changing business landscape, organisations need to be increasingly sensitive to the relationship they have with their employees. As our results suggest, this may entail expanding the traditional notion of reward to include different non-monetary dimensions, such as training and development opportunities and work environment. In line with our first hypothesis, the adoption of an array of rewarding tools is significantly and positively related to all our dependent variables. These results, consistent with previous research, underline the "bundling" effect of an integrated set of rewarding tools that are mutually supportive (Armstrong, 2003). By offering a deal that addresses a broad range of issues, total reward systems not only help to create a positive work experience, but also foster employees' positive attitudes and extra-role behaviours (O'Neal, 1998).

Looking at the single components of the TRS, we found relevant differences in their influence on employees' attitudes and behaviours. As expected, fair pay was positively correlated with affective commitment and job satisfaction, albeit to a smaller extent than non-monetary rewards. No relationship was found between perceptions of salary fairness and innovative work behaviour. These results align with previous research: De Waal and Jansen (2013), for instance, found that a fair reward and incentive structure did not exert either a positive or a negative effect on performance. According to the authors, a possible explanation for this result is that reward systems are a hygiene factor for organisations—meaning that their

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3 absence will spur employee dissatisfaction, while their presence will only create a foundation
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5 for boosting performance.

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7 Our results corroborate that tangible rewards are necessary yet insufficient for developing a
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9 satisfied and committed workforce. Employees at different levels expect more than just
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11 money in exchange for their time and energy: They also expect opportunities to grow
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13 intellectually and personally, to balance work and family, and to stimulate their creativity.

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15 This reasoning is confirmed by our results, which showed that there are benefits from
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17 investing in training programmes and workforce development—namely, in terms of
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19 producing higher levels of job satisfaction, affective commitment and innovative work
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21 behaviour among employees.
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24 25 *Managerial implications*

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27 By adopting a Total Reward System, organisations acknowledge that “reward” means different
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29 things to different people, based on several individual and contextual characteristics. From this
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31 perspective, it becomes the manager’s obligation to shape and use monetary and non-monetary
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33 rewards to influence employees’ desire to stay and grow with the organisation and thereby add
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35 value to the company. Far from a “one-size-fits-all” approach, a Total Reward System, which
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37 combines transactional and relational rewards, allows organisations to flexibly blend their
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39 packages for different workforce segments.
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43 TRS improve recruitment signalling and the organisation’s effort to create a work experience
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45 that meets the needs of employees and encourages them to provide extra effort.
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48 Moreover, positive messages of caring will help with employee retention, as employees like
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50 to be associated with progressive companies that invest in new HR solutions to sustain
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52 workers’ motivation and well-being. A reward system that is poorly suited to the organisation
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54 is more harmful than a traditional approach.
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Limitations and suggestions for further research

The results of this study should be considered in light of some limitations. The cross-sectional nature of the data precludes a causal interpretation of the results. Further longitudinal testing of the proposed relationships is required.

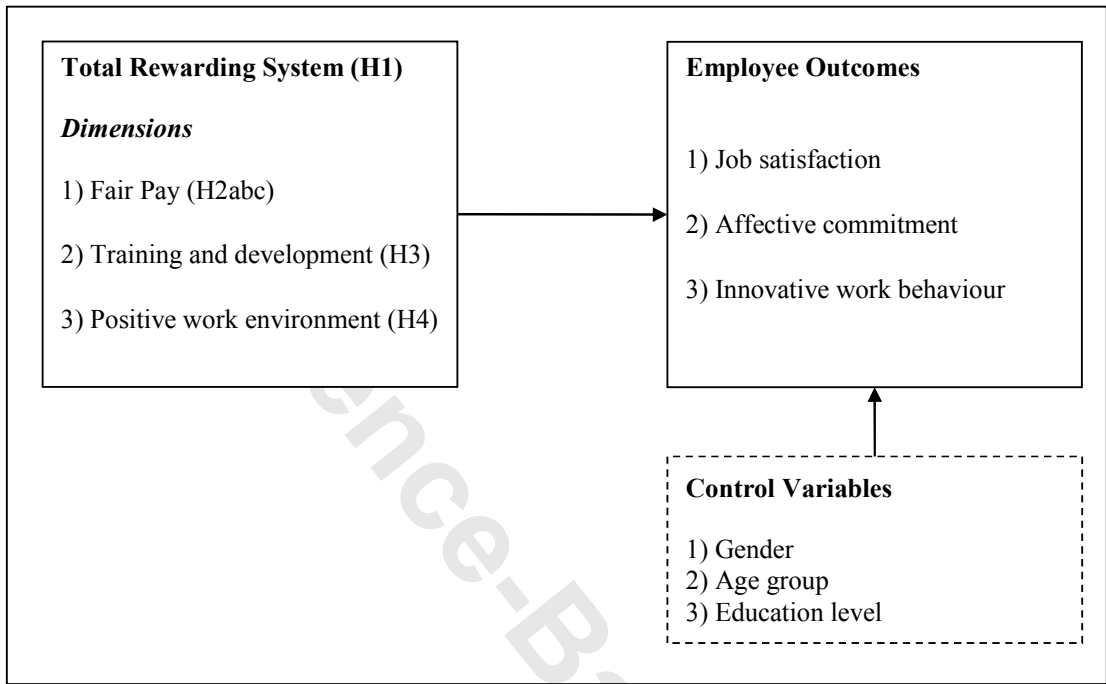
Additionally, our study did not consider the role of benefits within a Total Reward System approach. The choice was due to the lack of information regarding this issue as the companies involved in the study did not explore this dimension. Although we consider that our study provided interesting insights on the relationship between TRS and employee attitudes and behaviours, further attention should be given to this component of the TRS.

The absence of standard validated scales might appear to be another limitation of the study. We adopted secondary data from a consultancy firm as a concession, as the agreement provided access to a significant number of organisations in Italy, a country where organisations are frequently reluctant to be involved in research for academic purposes. More importantly, as we discussed in the methodology section, the wording of the adopted items differed slightly from the traditional validated measures, but the content was effectively the same.

Lastly, future research should focus more explicitly on the interaction between TRS and other important personal and organisational dimensions, such as gender, age, race and job-related characteristics, seeing how these factor may affect employees' attitudes and behaviours.

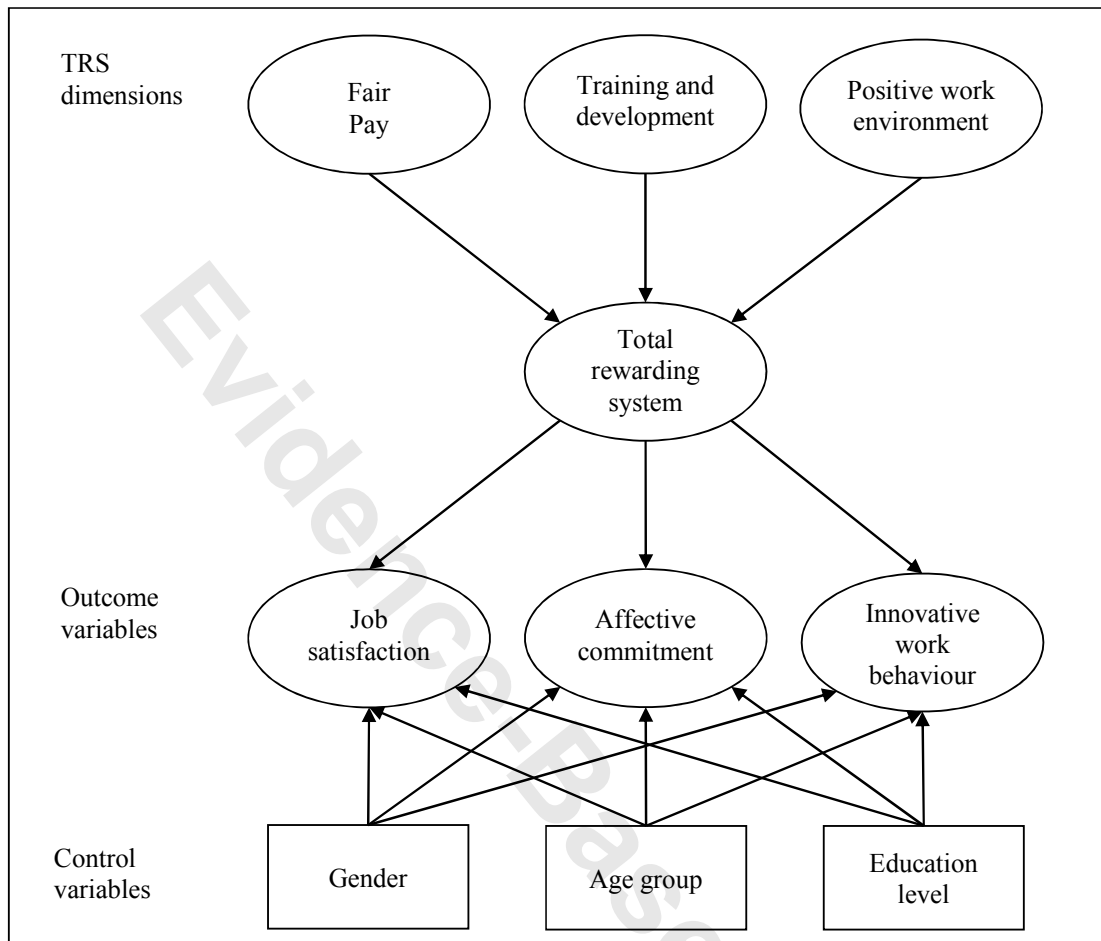
Figures

Figure 1: Conceptual model



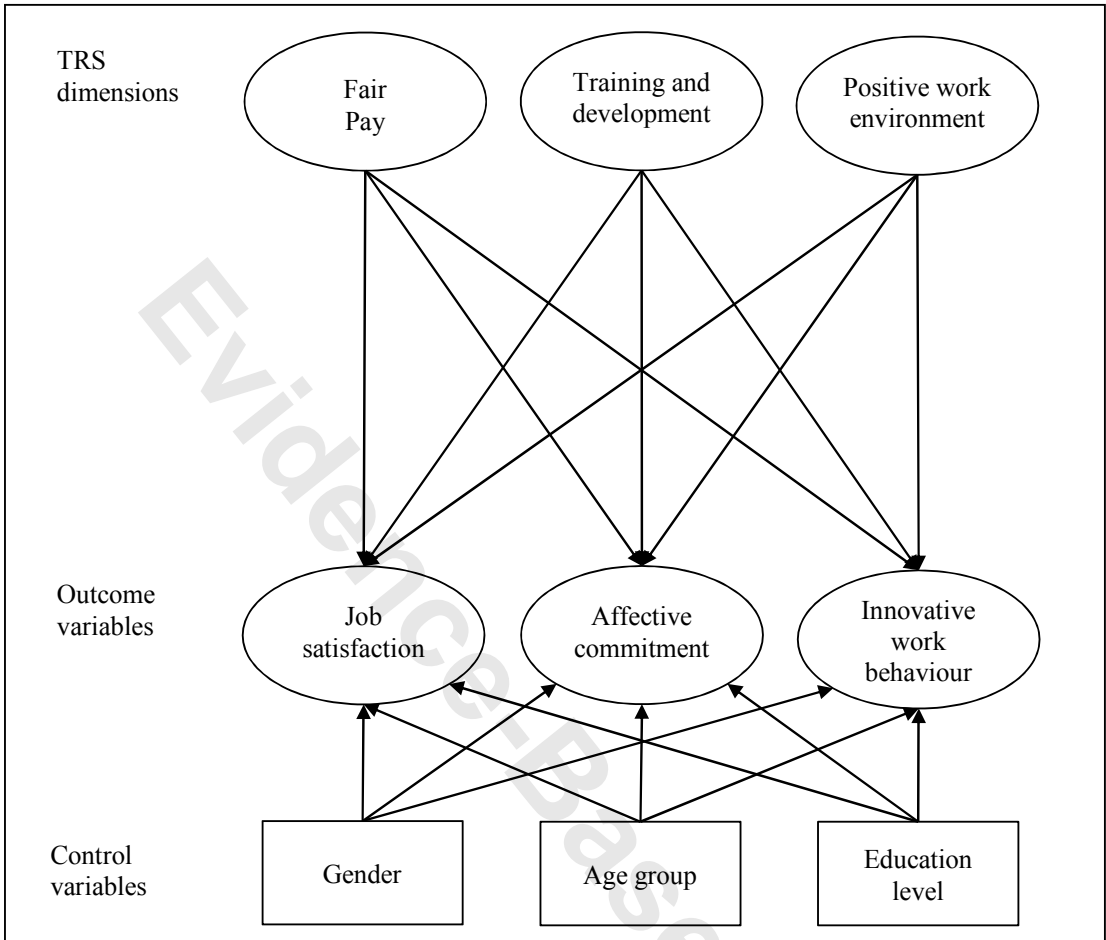
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Figure 2: Structural model with total rewarding system as a formative construct



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Figure 3: Structural model with TRS dimensions as independent variables



Tables

Table 1: Descriptive statistics and correlations

Variable	<i>M</i> (<i>SD</i>)	1. <i>r</i> (<i>SE</i>)	2. <i>r</i> (<i>SE</i>)	3. <i>r</i> (<i>SE</i>)	4. <i>r</i> (<i>SE</i>)	5. <i>r</i> (<i>SE</i>)	6. <i>r</i> (<i>SE</i>)
1. Fair Pay	2.91 (1.07)	1.00					
2. Training and development	3.11 (1.01)	.54*	1.00				
3. Positive work environment	3.45 (.80)	.48*	.58*	1.00			
4. Job satisfaction	3.60 (.95)	.46*	.66*	.64*	1.00		
5. Affective commitment	3.64 (.94)	.45*	.65*	.62*	.72*	1.00	
6. Innovative work behaviour	3.76 (.77)	.18*	.38*	.29*	.42*	.43*	1.00

N = 1,092. * $p < .001$.

Table 2: Standardized estimates of path parameters

Variables	R^2	Standardized estimated coefficients
<i>Dependent variable:</i> Total rewarding system	.73	
<i>Independent variables:</i> Fair Pay		.05*
Training and development		.51*
Positive work environment		.42*
<i>Dependent variable:</i> Job satisfaction	.74	
<i>Independent variables:</i> Gender		.01
Age group		.04*
Education level		-.03
Total rewarding system		.86*
<i>Dependent variable:</i> Affective commitment	.71	
<i>Independent variables:</i> Gender		-.01
Age group		.10***
Education level		-.03
Total rewarding system		.84*
<i>Dependent variable:</i> Innovative work behaviour	.23	
<i>Independent variables:</i> Gender		-.04
Age group		.09**
Education level		.11***
Total rewarding system		.46*

N = 1,092. * = $p < .05$; ** = $p < .01$; *** = $p < .001$. $\chi^2(16) = 139.069$, $p < .001$; $\chi^2/\text{d.f.} = 8.692$; GFI = .973; CFI = .961; NFI = .956; SRMR = .067.

Table 3: Standardized estimates of path parameters

Variables	R^2	Standardized estimated coefficients
<i>Dependent variable:</i> Job satisfaction	.54	
<i>Independent variables:</i> Gender		.01
Age group		.04*
Education level		-.03
Fair pay		.05*
Training and development		.42***
Positive work environment		.37***
<i>Dependent variable:</i> Affective commitment	.52	
<i>Independent variables:</i> Gender		-.01
Age group		.10***
Education level		-.03
Fair pay		.05*
Training and development		.43***
Positive work environment		.34***
<i>Dependent variable:</i> Innovative work behaviour	.16	
<i>Independent variables:</i> Gender		-.04
Age group		.10***
Education level		.10***
Fair pay		-.07
Training and development		.32***
Positive work environment		.13***

$N = 1,092$. * = $p < .05$; ** = $p < .01$; *** = $p < .001$. $\chi^2(10) = 113.435$, $p < .001$; $\chi^2/d.f. = 11.343$; GFI = .978; CFI = .967; NFI = .964; SRMR = .066.

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