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PAY CONTINGENCY AND THE
EFFECTS OF PERCEIVED
ORGANIZATIONAL AND
SUPERVISOR SUPPORT ON
PERFORMANCE AND
COMMITMENT

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PAY CONTINGENCY AND THE EFFECTS OF PERCEIVED ORGANIZATIONAL AND SUPERVISOR SUPPORT ON PERFORMANCE AND COMMITMENT*

Asya Pazy and Yoav Ganzach

Abstract

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ABSTRACT

Applying a social exchange perspective, three studies examined how the effects of Perceived Organizational Support (POS) and Perceived Supervisor Support (PSS) on performance and commitment are constrained by pay contingency. Study 1 showed a negative interaction between POS and pay contingency and a positive interaction between PSS and pay contingency in their effects on performance, and non-significant interactions regarding commitment. In Studies 2 and 3, which were conducted in high pay contingency field settings, performance was affected by PSS but not by POS, whereas commitment was affected by POS but not by PSS. Implications of these moderation effects are discussed.

Whereas early formulations of the relationships between people and organizations were based on effort-for-pay, or economic exchange, the focus has shifted over the years to an emphasis on effort-for-support, or social exchange (Blau, 1964). Particularly intriguing is the shift in how the antecedents of work performance are viewed in exchange terminology. Performance is strictly a return for pay in terms of economic exchange, whereas in terms of social exchange it is part of a wider, less tangible reciprocation process. In this process, organizations that treat employees favorably induce in them a feeling of obligation; to discharge their obligation, employees respond in ways that benefit the organization, namely, they enhance their commitment and boost their performance. Performance is thus a specified return for pay in the economic exchange framework, and as a non-specified return for concern and support in the social exchange framework (Blau, 1964). Since both forms of exchange operate in varying degrees in most work situations, it is interesting to study how their interplay affects the meaning of performance and its prediction.

The construct of Perceived Organizational Support (POS) captures the essence of social exchange in employment relationships. POS refers to the generalized beliefs that employees adopt concerning the extent to which the organization values their contribution and cares about their well-being (Eisenberger, Huntington, Hutchison, & Sowa, 1986). Activating the norm of reciprocity, POS elicits a sense of indebtedness that can be reduced by reciprocation (Blau, 1964; Gouldner, 1960; Greenberg, 1980; Levinson, 1965). High POS is therefore expected to result in positive attitudinal and behavioral outcomes that repay favors, namely, in outcomes that benefit the organization. These predictions have received substantive support. It has been shown that POS is related to job satisfaction, to positive mood, and, most notably, to attitudinal and behavioral indicators of commitment such as decreased

withdrawal, turnover, tardiness and absenteeism (Allen, Shore, & Griffeth, 2003; Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001; Eisenberger, Cotterel, & Marvel, 1987; Shore & Tetrick, 1991; Shore & Wayne, 1993; Wayne, Shore, & Liden, 1997).

The evidence concerning the effect of POS on performance is less conclusive. In contrast to the consistent results regarding commitment, the expected positive correlations between POS and indicators of performance are not always apparent. In their meta analysis, Rhoades and Eisenberger reported a relatively low average weighted correlation of .20 with in-role performance, with a substantial standard deviation of .11 (2002: Table 3). Later studies reported negligible (Muse & Stamper, 2003; Stamper & Johlke, 2003) or medium correlations (Shanock & Eisenberger, 2006; Wayne, Shore, Bommer, & Tetrick, 2002).

One explanation for these inconsistent results relates to the idea that performance can be a return for support, but it can also be a return for pay, and these meanings are influenced by contextual features that accentuate either one of them. We choose to study the contextual feature of form of compensation, since forms of compensation shape relationships with work contexts (Rousseau & Ho, 2000; Rynes, Gerhart, & Parks, 2005). In this paper we propose that forms of compensation moderate the relationships between POS and performance¹. We focus on the degree to which monetary compensation is contingent upon the level of employees' performance, and distinguish between variable and fixed pay, namely, between contexts where pay is directly tied to performance (high pay contingency) and contexts where pay is preset based on certain criteria and does not co-vary with level of performance (Bartole & Locke, 2000, low pay contingency). Typical examples for variable pay are piece-rate incentive plans or commission and excellence-based bonus systems; examples for fixed pay are salary and other forms of set or tenure-related remuneration.

In order to explore the limits of the effect of POS on performance, we compare it with the effect of the perceived support that is provided to employees by another agent - their supervisor. Perceived Supervisor Support (PSS) is defined as the beliefs that employees adopt concerning the degree to which their supervisor values their contribution and cares about their well being (Kotte & Sharafinski, 1988). Though distinct constructs, POS and PSS are highly correlated (Hutchison, 1997a, 1997b; Kotte & Sharafinski, 1988; Rhoades, Eisenberger, & Armeli, 2001; Yoon & Lim, 1999; Yoon & Thye, 2000). Therefore, our analysis will refer to the effects of each keeping the other constant.

Figure 1a presents a model (entitled Model A) of the prevalent view of the relationships among PSS, POS, commitment and performance, as commonly portrayed in the organizational support literature (e.g., Rhoades & Eisenberger, 2002). Since research has shown that POS mediates the relationship between PSS and several organizational outcomes (Eisenberger, Stinglhamber, Vandenberghe, Sucharski, & Rhoades, 2002; Rhoades & Eisenberger, 2002), we present PSS as an antecedent of POS. We remind the reader, however, that the effects of POS and PSS on performance and commitment in Model A (as well as later in Model B) do not depend on causal relationships between POS and PSS. These effects would mathematically be the same when PSS is a correlate of POS rather than its cause. We chose a causal representation since this is what is commonly assumed in the organizational support literature.

Insert Figure 1 about here

We extend previous literature by arguing that the pattern of relationships between POS, PSS and their outcomes, as depicted in Model A, is applicable in fixed pay contexts. We examine differences in this pattern between contexts of fixed and variable pay. The variable pay arrangement expresses a transactional exchange of monetary compensation for job performance and a direct dependence of earnings on the level of performance. Employees seek ways to increase their pay by trying to exert more effort and improve their performance when their pay is contingent on it (Jenkins, Mitra, Gupta & Shaw, 1998). Our assumption is that the pay context affects the salience of social and economic exchange and their consequences. Specifically, we expect that their different salience creates differential effects of POS and PSS on performance, though not on commitment. The arguments for this contention and the predictions that derive from it are elaborated below.

Pay Contexts and Consequences of Perceived Organizational Support

POS is highly relevant to performance in fixed pay contexts. When compensation is not contingent on performance, employees cannot receive more pay through performance improvement. While not a return for pay, improved performance can certainly be a return for concern and support. Exerting effort to attain high level of performance is a prime way to release felt obligation towards a supportive organization. Indeed, most of the significant POS – performance results underlying Model A were obtained from samples that consisted of salaried and hourly-paid employees in public sector or manufacturing organizations, namely, from contexts characterized by fixed pay (e.g., Armeli et al., 1998; Cleveland & Shore, 1992; Eisenberger, Fasolo, & David-LaMastro, 1990; Eisenberger, Pierce, & Cameron, 1999;

Lynch, Eisenberger, & Armeli, 1999; Randall, Cropanzano, Bormann, & Birjulin, 1999; Settoon et al., 1996).

In variable pay contexts, on the other hand, the impact of POS on performance should be less pronounced. Variable pay accentuates the *quid pro quo* transaction of performance for pay. Monetary rewards, rather than feelings of indebtedness to a supportive organization, are paramount motivators in variable pay contexts, and performance responds primarily to pay (Jenkins et al, 1998). Thus, one change that is expected to occur between contexts of fixed and variable pay is that the relationship between POS and performance will be weaker in the latter.

In contrast, such a difference in the effect of POS is not expected with regard to commitment; the pay context is not relevant to the effect of POS on commitment. In social exchange terminology, commitment entails a feeling of “diffuse future obligation, not precisely specified ones” of which the object is the organization (Blau, 1964, p.93). Unlike performance, commitment is not a tangible *quid pro quo* for pay, so there is no reason to expect that it will be sensitive to variation in the administration of pay. Fully consistent with organizational support theory (as depicted in Model A), we predict that the relationship between POS and commitment towards the organization will not be sensitive to the pay context *per se*.

It should be clarified that economic exchange should not preclude social exchange in variable pay contexts; commitment might be socially exchanged for POS in both types of contexts. Our specific point is that under variable pay, the performance outcome becomes a return for pay rather than a return for POS. In a similar vein, it has been shown that under social exchange effort is relatively independent of pay but highly sensitive to level of

support, whereas under economic exchange effort is highly sensitive to pay and it is exerted in direct proportion to pay. Furthermore, when social exchange is elicited in the presence of pay, people experience the situation as more economic than social (Heyman & Ariely, 2004). It has also been suggested that the strong *quid pro quo* in high pay contingency rules out performance as a reciprocated return for POS (Stamper & Johlke, 2003; see Deckop, Mangel, & Cirka, 1999, Fehr and Falk, 2002, for similar reasoning).

Pay Contexts and Consequences of Perceived Supervisor Support

What happens to the relationships between PSS and performance when compensation is contingent upon performance, and the weight of POS in determining performance is diminished, as reasoned above? We argue that when pay is tied to performance, supervisors, who are instrumental to performance, are instrumental to increasing pay, and PSS emerges as a more important determinant of performance. Monetary concerns tend to become dominant in a variable pay context, and employees' performance responds to their perception of supervisory support which enables performance - and enables higher pay. We therefore expect that in such contexts, with the decreased influence of POS on performance, the direct influence of PSS on performance increases.

The emphasis on the relationship between PSS and performance follows Lewin's seminal field theory (1943), according to which psychologically proximal elements such as supervisors exert more powerful effects on employees' behavior than distal elements such as organizations. Supervisors facilitate performance in numerous practical ways through goal setting, helping, coaching, evaluating and rewarding (e.g., Luthans, Hodgetts, & Rosenkranz,

1988). Indeed, a number of researchers argue that performance tends to have the supervisor, rather than the organization, as its focus (Becker & Kernan, 2003; see also Siders, George, & Dharwadkar, 2001), and that supervisor-related indicators, including PSS, are more critical to performance than organization-related indicators, including POS (Becker, Billings, Eveleth, & Gilbert, 1996; Cropanzano, Prehar, & Chen, 2002; Masterson, Lewis, Goldman, & Taylor, 2000; Settoon et al., 1996; Wayne et al., 2002). Though this research does not examine pay, it shows how critical PSS is to performance. We conclude that to get more pay through performance, PSS is most critical.

Finally, the increase in the role of PSS in variable pay contexts is likewise not relevant to commitment; PSS is not expected to determine commitment in such contexts. Other than the mediated influence of PSS on commitment through POS, there is no reason to expect differences in commitment to the organization - due to PSS - between fixed and variable pay contexts.

Figure 1b presents a model (entitled Model B) of the proposed relationships between POS, PSS, performance and commitment in a variable pay context (high pay contingency). Of the two models, Model B is the novel model *vis a vis* the organizational support literature. Therefore, our emphasis in the three studies that follow will be on variable pay contexts. Thus, whereas Study 1 is based on the full range of pay contingency, Studies 2 and 3 are conducted in field settings characterized by variable pay (high pay contingency).

In Study 1 we examine our basic prediction that as pay contingency increases, the relationships among POS, PSS, performance and commitment will change from Model A to Model B. Statistically, this should be expressed in: (1) a negative interaction between POS and pay contingency in their effect on performance (associated with a decrease in the weight

of POS as a determinant of performance when pay contingency increases); (2) a positive interaction between PSS and pay contingency in their effect on performance (associated with an increase in the weight of PSS as a determinant of performance when pay contingency increases); and (3) two non significant interactions, between POS and pay contingency and between PSS and pay contingency, in their effects on commitment (associated with the prediction that the effects of POS and PSS on commitment do not depend on pay contingency).

STUDY 1: THE MODERATING EFFECT OF PAY CONTINGENCY IN A DIVERSE SAMPLE

Method

Sample. The sample consisted of 259 respondents; about half were MBA students at Tel Aviv University who filled the questionnaires during class time. The other half consisted of acquaintances of these students, mostly students in the same program. The majority of MBA students in this program work full time. A few questionnaires of non-working students were omitted from the sample. The average age of the participants was 30.2 years ($SD=8.3$), and their average tenure with the current employer was 4.8 years ($SD=7.1$). Forty three percent were women.

Measures. POS was assessed with Eisenberger et al. (1986) eight-item measure, translated to Hebrew and back translated. Following Eisenberger et al. (2002), Hutchison

(1997a, 1997b), and Rhoades et al. (2001), PSS was measured with four items from Eisenberger et al.'s (1986) POS questionnaire, in which the word "organization" was replaced by the word "supervisor". Commitment was measured using five items from Meyer and Allen's (1997) instrument. A single item indicating agreement to the following statement measured pay contingency: "The pay I receive for my work depends to a large extent on my performance." Following Kenny and DePaulo (1993) and Mabe and West (1982), we used a multiple self report instrument to measure performance. The instrument consisted of the following three questions ranging from very low (1) to very high (7): "How do you evaluate your level of performance?", "In your opinion, how does your supervisor evaluate your level of performance?", and "In your opinion, how do your peers evaluate your level of performance?" Responses to all other questions in the survey were given on a scale ranging from disagree (1) to agree (7).

Results

Table 1 presents descriptive statistics, correlations and reliability coefficients of the study variables. To examine our theory we estimated regression models in which performance and commitment were the dependent variables (see Table 2). Of particular interest in Table 2 are the models in which the independent variables were PSS, POS, pay contingency, and their interactions. The estimates and their standard errors are presented in the table. Both independent and dependent variables were standardized prior to the estimation.

Insert Tables 1 and 2 about here

The results in Table 2 are consistent with the proposed interactions. In the performance model we find that (1) the interaction between POS and pay contingency is significantly negative ($t(253)=2.4, p<.05$), suggesting that the effect of POS on performance decreases the stronger the dependence of pay on performance; (2) the interaction between PSS and pay contingency is significantly positive ($t(253)=2.4, p<.05$), suggesting that the effect of PSS on performance increases the stronger the dependence of pay on performance. For illustration, these interactions are plotted in Figure 2.

Insert Figure 2 about here

On the other hand, in the commitment model the interaction between POS and pay contingency, as well as the interaction between PSS and pay contingency, are not significant ($t(253)=.4, p>.7, t(253)=.1, p>.9$).

In order to present these results within the framework of Models A and B that contrast low and high pay contingency, we divided the sample by a median split of pay contingency to low (3 and below, $n=117$), and high (4 and above, $n=142$). Figure 3 presents the results of path models for low pay contingency (fixed pay context) above the arrows, and for high pay contingency (variable pay context) under the arrows.

Insert Figure 3 about here

These results are consistent with our conceptualization. When pay contingency is low, the relationships previously documented in the literature among POS, PSS and organizational

outcomes (as in Model A) are replicated, and POS mediates the effects of PSS on performance and commitment (both PSS paths, to commitment and to performance, are not significant). On the other hand, when pay contingency is high, PSS has a direct effect on performance, but POS has no effect on performance once PSS is controlled for. The results presented in Figure 3 also suggest that, consistent with our conceptualization, the relationships between POS, PSS and commitment do not depend on pay contingency. These relationships are similar whether pay contingency is low or high.

DISCUSSION

One obvious limitation of Study 1 is the self-report measurement of performance. It could be argued that common source bias might have artificially elevated the correlations between performance and its antecedents (but see Behrman & Perreault, 1982; Heneman, 1974; Levine, Flory, & Ash, 1977, Meyer, Allen, & Smith, 1993, for evidence supporting the validity of self report measures of ability and performance). However, it should be stressed that the problem of common source is less critical in the study of interactions (than main effects). There is no reason to assume that the strength of the common source bias in our data varies with level of pay contingency. Therefore it is rather unlikely that the interactions between pay context and POS or PSS are vulnerable to this bias.

Nevertheless, as an additional safeguard against the threat of common source, studies 2 and 3 rely on performance measures that are not vulnerable to this bias. In Study 2 performance is measured with supervisory evaluations. In Study 3 performance is measured with a behavioral index.

Another distinctive feature of Studies 2 and 3 is that their contexts represent high pay contingency, where pay is objectively tied to performance. Since previous POS – performance research was mostly characterized by fixed pay, and since the results for high pay contingency were the novel feature of Study 1, we aim to replicate it in contexts that were chosen because their financial compensation was based on employees' performance, namely, in truly variable pay contexts. Thus we also overcome another limitation of Study 1, the self report measure of pay contingency.

Before concluding our discussion of Study 1, we should notice the significant positive correlation observed between pay contingency and POS ($r = .32, p < .001$). This correlation is in line with the positive relationship between performance-reward expectancy and POS (Eisenberger, Rhoades, & Cameron, 1999), though contrary to the proposed negative relationship between variable pay plans and POS (Johlke, Stamper, & Shoemaker, 2002). Note also that in Study 1 the correlation between pay contingency and POS is significantly larger than its correlation with PSS ($t(256) = 3.3, p < .01$), suggesting that substantive reasons (e.g., the relationship between an organization's responsive remuneration system and POS), rather than methodological reasons (e.g., source biases), underlie the relationship between POS and pay contingency.

STUDY 2: HIGH PAY CONTINGENCY AND SUPERVISOR EVALUATED PERFORMANCE

Method

Sample. Study 2 was conducted in customer service centers of a large Israeli cellular communication company. A considerable part of the monthly pay of service personnel in this company consists of a performance-linked bonus (35%- 48% above minimum wage mandated by law). The monthly bonus is based on meeting weekly monitored performance goals, and on periodic "hidden customer" checks. The sample consisted of 251 customer service representatives from 17 service centers (73% response rate). The average tenure with the organization was 21 months ($SD=17.5$ months), and 71% were female.

Procedure. Two researchers administered questionnaires to groups of customer service representatives during company time. The study was presented as an independent academic project, assuring anonymity. Respondents were asked to put their forms in sealed envelopes and mark their ID on the outside. At a separate location, the immediate supervisors of these customer service representatives ($N=26$, 79% response rate) evaluated the performance of their subordinates. The researchers subsequently matched employees' questionnaires with respective performance evaluations.

Measures. Performance was evaluated by supervisors with 6 items, partly from Williams and Anderson (1991), and adapted to the customer service jobs of this kind during

preliminary talks with several team managers. The items are: "This employee - provides quality service to his/her customers", "- meets sales objectives", "- adequately completes assigned task duties", "- cooperates with other team members in carrying out the teams tasks" "- meets formal performance requirements of the job". Supervisors' responses ranged on a 7 point scale (1=low, 7=high). POS, PSS and commitment were measured in the employee's questionnaire by identical measures as in Study 1.

Results

Table 3 presents descriptive statistics and correlations of the study variables.

Structural Equation Modeling was performed with the EQS program, Version 6 (Bentler, 2002) using the variance-covariance matrix. The overall model showed adequate fit. The null (independence) model was easily rejected, $\chi^2(66, N = 246) = 2780.49, p < .001$. The measurement model yielded acceptable results: $\chi^2(48, N = 246) = 79.45, p < .01$, NNFI = .984, CFI = .988, SRMR = .029, RMSEA = .052. The structural model also fitted the data well, with $\chi^2(49, N = 246) = 80.53, p < .01$, NNFI = .984, CFI = .988, SRMR = .033, RMSEA = .051. The results are presented in Figure 4.

Insert Table 3 about here

Insert Figure 4 about here

Consistent with our conceptualization, in this high pay contingency context PSS had a direct effect on performance ($\beta=.28$, $p<.01$), while POS had no effect on performance ($\beta=-.10$, n.s.). On the other hand, POS had a significant effect on commitment ($\beta=.73$, $p<.001$) whereas PSS had only a negligible effect on commitment ($\beta=.03$, n.s.).

DISCUSSION

Study 2 replicated the results of Study 1 in a setting characterized by high pay contingency. To overcome the difficulty of self assessed pay contingency, we relied on objective indicators to identify a high pay contingency context. To overcome the difficulty of the self measurement of performance, we used supervisory evaluation of performance – perhaps the most commonly used performance measure in the organizational behavior literature. Thus the results of Study 2 do not suffer from threats to internal validity associated with a common source.

It should still be noted that although supervisory evaluation is considered a better measure of performance than a self assessment measure, it is not immune to perceptual and method biases (Heneman, 1974), particularly to self-other asymmetries (Hoorens, 1995; Hoorens & Desrichard, 2002) and to artificial increase in correlations (e.g., Schul & Vinokur, 2000). One specific contamination is inherent to research involving PSS as an independent variable. According to the social exchange logic, supervisory evaluation is part of the dyadic reciprocation between supervisors and subordinates, so that evaluation is one kind of a return for performance. To overcome these difficulties, Study 3 relies on a behavioral measure of performance that does not derive from supervisory evaluations.

STUDY 3: HIGH PAY CONTINGENCY CONTEXT AND A BEHAVIORAL PERFORMANCE MEASURE

Method

Sample. Participants in Study 3 were salespersons whose pay was directly tied to financial measures of their performance. The study was conducted in a large Israeli food company. About half of the monthly pay (above minimum wage mandated by law) was based on performance. The sample ($N=158$) consisted of 80% of the salespersons in the small stores department. The average age was 30.8 years ($SD=6.95$), and average tenure with the organization was 4.22 years ($SD=4.35$). When the study was conducted the company did not employ female salespersons.

Procedure. Similar to Study 2, questionnaires were distributed by the research team and filled during company time. Salespersons were asked to write their ID and send the questionnaires in sealed envelopes addressed to the principal researcher. Complete anonymity was guaranteed. Individual performance data were separately obtained from the company files, and the researchers matched questionnaires and performance scores.

Measures. The performance measure was obtained from the company records. All salespersons get monthly scores ranging on a 7 point scale (7 indicates high performance and 1 indicates low performance). The score is the basis for determining pay. It is calculated from individual sales data retrieved from the company database. These data consist of actual sales revenues achieved by the salesperson, adjusted to seasonal, regional, and global corporate

factors. Thus, this score is a pure behavioral measure of performance. To strengthen the validity of the causal assumption of our model, we used performance scores of the two months *following* the measurement of POS and PSS.

POS, PSS and commitment were measured by identical measures as in Study 1.

Results

Table 4 presents descriptive statistics and correlations of the study variables. Structural Equation Modeling was performed with the EQS program, Version 6 (Bentler, 2002)² using the variance-covariance matrix. The overall model showed adequate fit. The null (independence) model was easily rejected, $\chi^2(66, N = 158) = 913.27, p < .001$. The measurement model yielded acceptable results: $\chi^2(48, N = 158) = 71.24, p < .05$, NNFI = .962, CFI = .973, SRMR = .044, RMSEA = .056. The structural model also fitted the data well, with $\chi^2(49, N = 158) = 71.58, p < .05$, NNFI = .964, CFI = .973, SRMR = .045, RMSEA = .054. The results of the model are presented in Figure 5.

Insert Table 4 about here

Insert Figure 5 about here

Consistent with our conceptualization, in this high pay contingency sample PSS had a direct effect on performance, while POS had no effect on performance when PSS was

controlled. On the other hand, POS had a significant effect on commitment, while PSS had only a negligible effect on commitment when POS was controlled.

GENERAL DISCUSSION

Processes of social and economic exchange are intertwined in most employment situations, and their interplay has important implications for their consequences and hence for the relationship between people and organizations. In their conceptual critique of social exchange theory, Cropanzano and Mitchell (2005) suggest that different resources (i.e., economic vs. socio emotional resources) are governed by different "exchange rules." We propose that the pay context influences the kind of rule which applies in a given situation and hence the meaning of situations. Accordingly, we found that contexts characterized by different levels of pay contingency differentially affected the relationships between POS, PSS and performance, while they did not affect their relationships with organizational commitment.

Regarding organizational commitment, our findings are in line with prior research on social exchange in organizations. We found that POS was an efficacious predictor of commitment, more than PSS, and that its relationship to commitment was maintained regardless of the form of pay. This is consistent with organizational support theory as well as with the multiple exchange foci research which suggests that POS is a better predictor of commitment than supervisory-relevant indicators (Aryee, Budhwar, & Chen, 2002; Masterson et al., 2000; Settoon et al., 1996; Wayne et al, 2002). Our commitment findings

re-affirm the prevalence of social exchange and the reciprocation of commitment for organizational support in diverse forms of employment relationships.

It is only in with regard to the performance outcome that the form of pay constrains social exchange with the organization, presumably by focusing the employee on the supervisor as a source of information, guidance, evaluation and reward, while still allowing social exchange to take place in an individual's general orientation toward the organization, namely his or her commitment (Eisenberger, personal communication). Indeed, the novel contribution of the study concerns the antecedents of the performance outcome, specifically the moderation of the pay context on their influence. The organizational support expectation that POS will predict performance was confirmed only under low pay contingency. The multiple exchange foci expectation that PSS will predict performance (Settoon et al., 1996; Wayne et al., 2002) was confirmed only under high pay contingency, where POS was no longer a significant performance antecedent.

Granted that social exchange does not cease to exist (as evidenced by the commitment results), high pay contingency, which primes economic exchange, represents simultaneity of two kinds of exchange. Research shows, however, that the economic aspect predominates in such simultaneity (Deckop, Mangel, & Cirka, 1999; Heyman & Ariely, 2004, Stamper & Johlke, 2003), and we suggest that it thus shapes the *meaning* of resources. From the employee's point of view, in high pay contingency PSS and performance are framed in self-serving economical terms: Performance is primarily a means to achieve pay, supervisor support (which helps in improving performance) leverages one's earning capacity. In contrast, in low pay contingency performance and POS are framed as other-serving benefits bestowed in mutual obligation, like commitment, in accordance with social

exchange premises. Returning to Blau's terminology, performance is a specified and stipulated obligation under high pay contingency, and an unspecified obligation (like commitment) under low pay contingency.

The idea that meanings of resources and outcomes vary as a function of the form of pay is an indication of the important role of compensation and its implicit influence on the social construction of work reality (Rousseau & Ho, 2000; Rynes et al., 2005). Our study shows that forms of compensation influence the meanings that employees assign to various kinds of support and to the ways in which they respond to these kinds of support.

Limitations of the Study

Turning to the limitations of the study, inference of causality is certainly problematic in a correlation design. A possible critique of our view relates to the possibility that the causal relationship between performance and PSS and POS is reverse, and that performance is the cause, rather than the result, of PSS and POS. Although such an explanation is consistent with the results of Study 2 and to some extent with Study 3, it cannot explain why the relationships between performance, PSS and POS depend on pay contingency, as depicted by the interactions in Study 1. Nonetheless, these interactions are not necessarily inconsistent with a reverse direction of causality. It could be argued that in high (low) pay contingency employees focus on the supervisor (organization), thus leading to a stronger effect of performance on PSS (POS).

Experimental separation of the two independent variables is necessary in order to directly assess causality. Moreover, due to associations between pay contingency and POS (e.g.,

Eisenberger et al., 1999b; Johlke et al., 2002; Miceli & Mulvey, 2000), and to the complex effects of pay contingency on performance (e.g., Beersma, Hollenbeck, Humphrey, Moon, Conlon, & Ilgen, 2003; Jenkins, Mitra, Gupta, & Shaw, 1998), an experimental design is specifically recommended.

Preliminary evidence from an educational setting bears on this issue. In an experimental study conducted by Pazy and Ganzach (2005), undergraduate business students who participated in a quality improvement process at Tel Aviv University were subjected to pay contingency manipulation. They were asked to provide improvement suggestions to the school. The standard POS questionnaire was adapted to assess perceived support from the school. Supporting Models A and B, the variable labeled Perceived School Support correlated positively with mean suggestion quality in the fixed pay condition, and did not correlate with mean suggestion quality in the pay contingent condition ($r = .38$, $p < .05$, and $r = -.07$, n.s., respectively). Though in line with our conceptualization, further research is certainly needed to establish causality in employment situations as well.

An additional limitation concerns the sampling of organizations. It could be enlarged by including field contexts with varying degrees of pay contingency, as well as by including samples that do not consist solely of boundary spanners (Stamper & Johlke, 2003), such as the customer service representatives and salespersons sampled in Studies 2 and 3.

Implications

The present results have implications for the design of reward contingent environments in general, and for contemporary dilemmas concerning contingent work and temporary

assignments in particular. These trends tend to create “transactional” psychological contracts (i.e., agreements based on short term exchanges of benefits that require limited involvement of the two parties), in contrast to traditional forms of work that are defined as “relational” (i.e., based on the assumption of a broad and long-term relationship, e.g., Arthur, Inkson, & Pringle, 1999; Hall, 2002; Rousseau, 1995). Financial motivation and immediacy of reward are particularly important in short-term employment periods, in which people serve, collect their dues, and move on, while employers pay only for these short-term services.

Performance is then contingent upon pay and reciprocates pay, and POS might have a weaker impact on performance. On the other hand, in transactional arrangements the immediate supervisor plays a central role as support provider and performance facilitator. Our findings suggest that in such settings, developing supervisory competencies is more beneficial for enhancing performance than improving the overall organizational posture towards employees.

Conclusion

In conclusion, the study contributes to the examination of the complex relationships among various aspects of the support that employees receive from different agents at work and employees' attitudes and actual behavior. Due to the strong interest in the social nature of this support in the literature, the interplay of the social aspect of exchange with the pay structure and with the resultant salience of economic exchange has not drawn enough attention. Out of the many studies that were conducted in this area, very few, if any, suggested moderators to the influence of POS that related to features of the material context

in which people work. The present study addresses this omission, thus contributing to a more balanced understanding of work behavior.

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FOOTNOTES

¹ A few contextual factors were proposed as moderators to the POS effects: Traditional culture (Farh, Hacket & Liang, 2007), hierarchical vs. flat structures (Settoon, Bennet, & Liden, 1996) and evaluation medium (Rhoades & Eisenberger, 2002). Armeli, Eisenberger, Fasolo, & Lynch (1998) expected that when socio emotional needs are low, clear reward expectancies will link POS to performance (p.296), thus differentiating between the emotional and pay-leveraging aspects of support, and noting that when the former is absent pay contingency influences performance. Finally, some individual differences were studied as moderators, for example exchange ideology and reciprocation wariness, by Eisenberger et al., (1986, 1987) and power distance (Farh, Hacket & Liang, 2007).

² The variables were not normally distributed, with normalized multivariate kurtosis of 8.49. To overcome this violation of SEM assumptions, we employed maximum-likelihood estimation method with robust standard errors together with Satorra-Bentler rescaled chi-square statistic (Satorra & Bentler, 1994) that compensates for non-normality of variables.

TABLE 1
Descriptive Statistics and Correlations: Study 1

Variable	M	SD	1	2	3	4	5
1. POS	4.39	1.06	(.87)	.60***	.29***	.58***	.32***
2. PSS	4.76	1.48		(.93)	.30***	.42***	.14*
3. Performance	5.95	0.68			(.81)	.26***	.13*
4. Commitment	4.05	1.43				(.88)	.23***
5. Pay Contingency	3.24	1.95					

Note: N=259. Reliability coefficients alpha are reported along the diagonal.

* $p < .05$

*** $p < .001$

TABLE 2

Regression Analyses of Commitment and Performance: Study 1

Predictor	Performance models		Commitment models	
PSS	.21** (.06)	.26** (.08)	.12 (.07)	.12 (.06)
POS	.14 (.08)	.09 (.08)	.50*** (.07)	.49*** (.07)
Pay Contingency	.05 (.06)	.06 (.06)	.05 (.05)	.06 (.05)
PSS X Pay Contingency		.18* (.08)		.01 (.06)
POS X Pay Contingency		-.19* (.08)		-.03 (.06)
R ²	.109	.134	.347	.348

Note: N=259. Numbers in parentheses are standard errors of the estimates. Variables were standardized prior to estimation. The incremental R² of the interaction model is significant for the performance model, F(2,253)=3.68, p<0.05, and non significant for the commitment model, F(2,253)=0.20.

*p<.05

**p<.01

***p<.001

TABLE 3
Descriptive Statistics and Correlations: Study 2

Variable	M	SD	1	2	3	4
1. POS	5.44	1.00	(.92)	.63***	.08	.68***
2. PSS	5.96	1.06		(.94)	.17**	.46***
3. Performance	5.57	1.01			(.88)	.11
4. Commitment	5.47	1.16				(.91)

Note: N=246. Reliability coefficients alpha are reported along the diagonal

** $p < .01$

*** $p < .001$

TABLE 4

Descriptive Statistics and Correlations: Study 3

Variable	M	SD	1	2	3	4
1. POS	4.91	0.83	(.76)	.57**	.43**	.56**
2. PSS	5.28	1.12		(.76)	.54**	.43**
3. Performance	4.89	1.22				.35**
4. Commitment	5.35	1.13				(.73)

Note: N=158. Reliability coefficients alpha are reported along the diagonal

** $p < .01$

FIGURE 1

The Relationship between PSS, POS Commitment and Performance

Figure 1a

Model A: Fixed Pay (Low Pay Contingency) Context

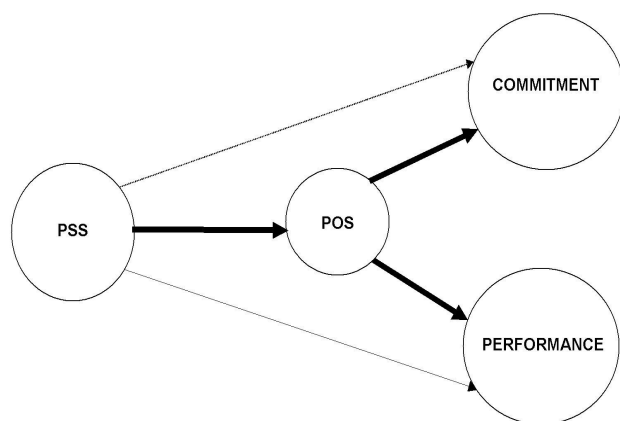
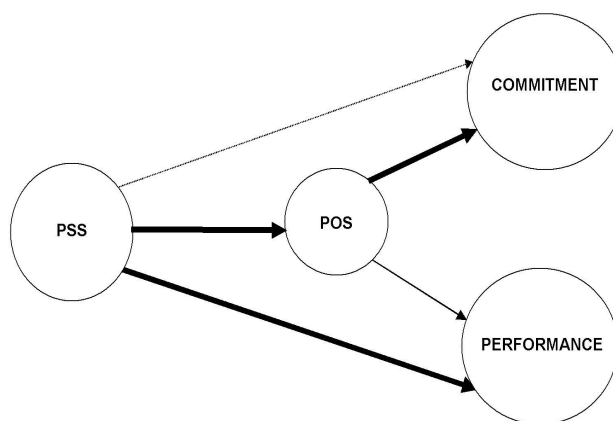


Figure 1b

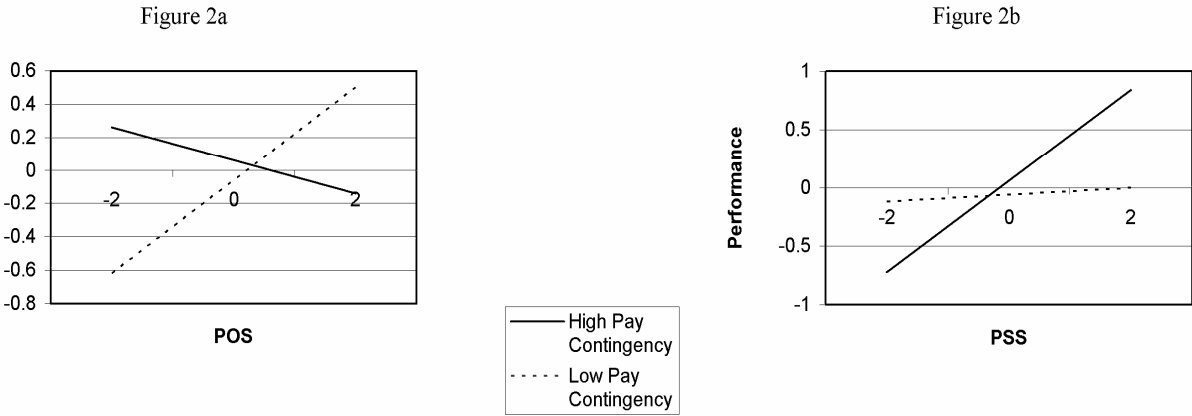
Model B: Variable Pay (High Pay Contingency) Context



Note: Broken lines represent non-significant paths. Solid lines represent significant paths.

Figure 2

The Interactive Effect of POS/PSS and Pay Contingency in Determining Performance: Study 1



Note: All variables were standardized.

High Pay Contingency – One standard deviation above the mean

Low Pay Contingency – One standard deviation below the mean

FIGURE 3

Standardized Coefficients of Path Models for Low Pay Contingency (above arrow)
and for High Pay Contingency (below arrow): Study 1

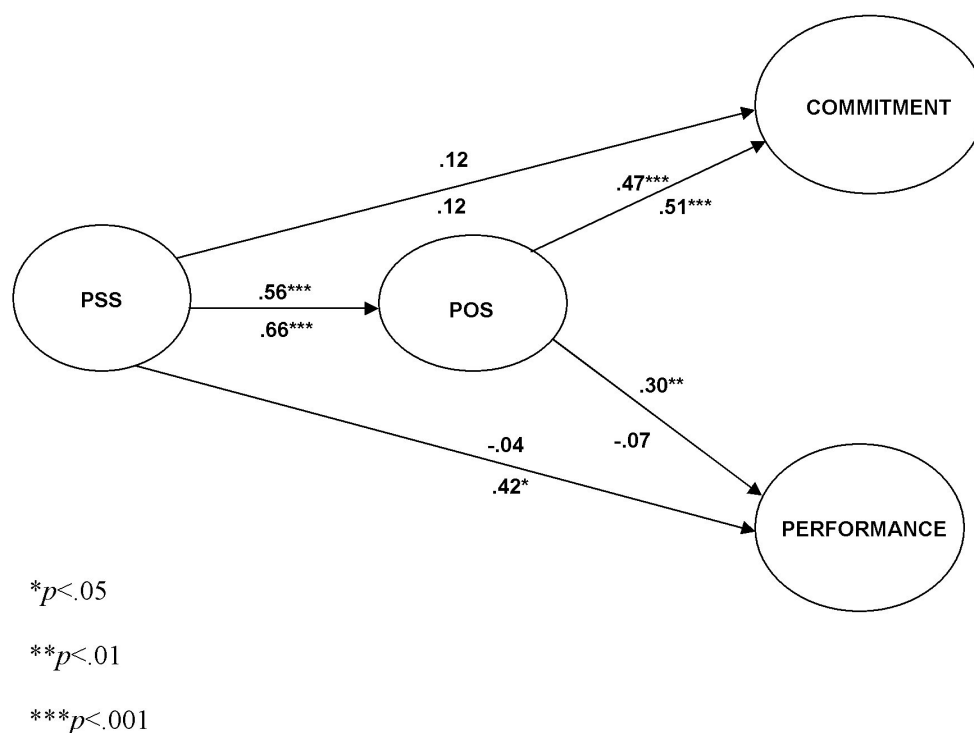
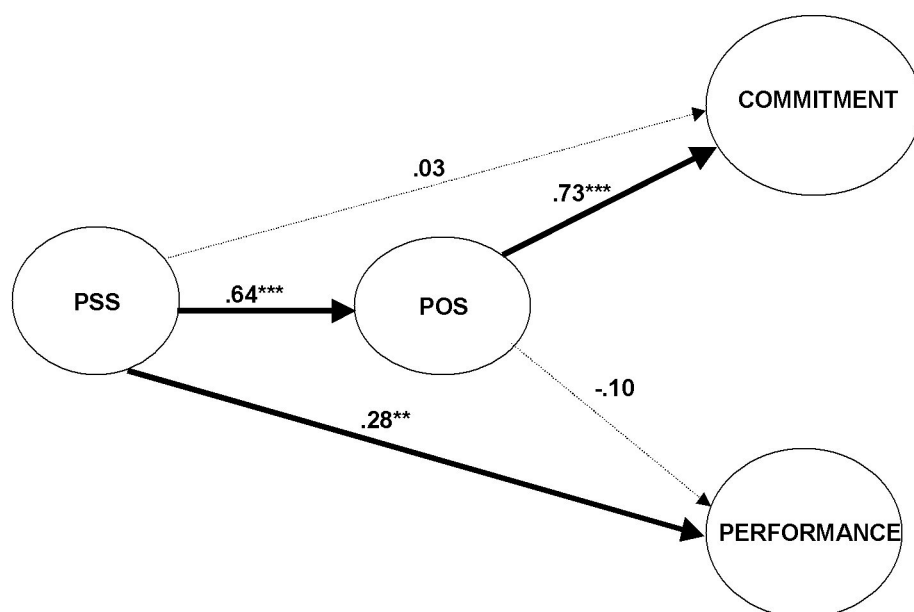


FIGURE 4

Standardized Coefficients of Structural Model for the
High Pay Contingency Sample: Study 2

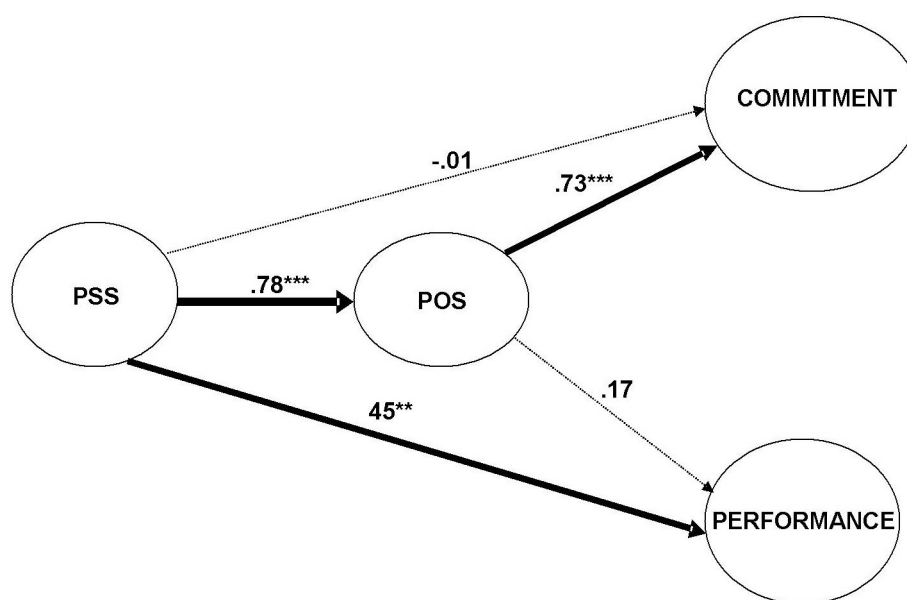


** $p < .01$

*** $p < .001$

FIGURE 5

Standardized Coefficients of Structural Model for the
High Pay Contingency Sample: Study 3



$^{**}p < .01$

$^{***}p < .001$

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