

Research on the Relationship between Enterprise Performance Pay and Employees' Work Engagement -- Internal and External Motivation as the Intermediary

Caihong Zhang

School of Management, Wuhan University of Technology Wuhan, P.R.China

2446071905@qq.com

Keywords: Performance pay; Internal and external motivation; Work engagement

Abstract. The development of an enterprise is inseparable from the contribution of its employees. Research on employee engagement and investment has become a hot topic in academic circles. Many scholars use performance compensation as a pre-factor variable for work engagement to study the relationship between the two. In fact, through combing the literature, we also find that performance pay can be indirectly applied to work engagement through the intermediary variable of work motivation. This paper constructs a conceptual model of the relationship between performance pay and work engagement with internal motivation and external motivation as the intermediary variable. The internal relationship between performance pay and work engagement is further studied, in order to provide theoretical guidance for enterprises to improve their work input and achieve higher enterprise performance in management practice.

Introduction

Since Kahn put forward work input in 1990, work engagement has been favored by researchers and practitioners, including psychology, sociology, management, human resource management, health management and other fields (Shuck,2011). Kahn thinks that work engagement is that organizational members control themselves to integrate themselves with work roles. Schaufeli et al. conducted further research on Kahn. As a positive working state, work engagement has an important impact on the development of employees and enterprises. Therefore, most scholars and management practitioners pay much attention to how to improve employees' work engagement and actively explore antecedent variables of work engagement.

Many studies have proved that performance pay has a significant predictive effect on some organizational outcome variables, such as job performance, job satisfaction, organizational commitment, etc. Many scholars have also studied the relationship between performance salary and employee work engagement as the pre-factor variable. For example, Eriksson and Villeval (2008) believe that, compared with fixed salary, the implementation of performance pay can significantly improve the average level of employee work engagement. Yuguang Quan and Lifang Zhang (2010) introduced incentive preference and discussed the mechanism of job satisfaction on job investment. The results showed that the performance salary system had a significant incentive effect on work engagement. This paper also believes that performance pay has a significant impact on employees' work engagement, so it is taken as an important pre-factor variable to explore its impact on employees' work engagement.

Research Hypothesis

Performance pay and work input. According to the George·Homans'Exchange Theory, the relationship between organizations and employees is an exchange. Organizations need employees to make efforts for their own development and create profits for themselves. Employees should be rewarded from the organization for their efforts, including economic reward and non-economic reward (ShumingZhao, 2006). When employees get expected economic and non-economic rewards from the organization, they will have a sense of obligation to repay the organization, and reward the organization by actively

engaging in work, completing tasks and performing organizational responsibilities (Blau, 1986). As a part of employees' salary, performance pay is an economic return given by the organization to employees and the most intuitive evaluation of employees, which affects their future work engagement. Xiaolu Han, a Chinese scholar, believes that the positive state of employees will be promoted by external incentives such as material reward, recognition by others, supervision and management. When employees are paid what they deserve, they will have a positive psychology, such as vitality, dedication and concentration. Their satisfaction with the organization will be greatly improved, they are full of hope for the future, and they are willing to pay more for the development of the organization. Therefore, the hypothesis of this study is as follows:

H1: there is a positive relationship between performance pay and employees' work engagement.

performance pay, work motivation and work engagement. Work motivation is a state of mind, which refers to a series of internal and external forces that stimulate behaviors related to work performance and determine the form, direction, intensity and duration of these behaviors. According to organic integration theory, work motivation can be divided into external motivation, internal motivation and demotivation. Among them, the external motivation refers to the motivation that is not triggered by its own internal factors but by factors outside itself, which is an external regulatory state. External motivation includes integration motivation, identification motivation, introspection motivation and extrinsic motivation. Internal motivation is a typical internal adjustment state, and de-motivation is a typical non-adjustment state (Deci&Ryan, 1985). This study considers extrinsic motivation and external motivation.

Self-determination theory holds that informational external environmental factors can promote the formation and development of individual job performance and mental health (Deci&Ryan, 1985). When the resources provided by the organization meet the three psychological needs of employee autonomy, competence and relationship, external motivation and internal motivation will be generated for employees. As an informational external factor, performance pay, on the one hand, according to Maslow's hierarchy of needs, can meet the physiological needs, safety needs and other low-level needs of employees, so as to guarantee the basic life of employees. In addition, performance pay is also a kind of reward, which has a strong incentive effect on employees and makes them willing to meet their own and family's living needs, live a better life and invest more in their work in order to obtain more rewards. At this point, performance pay for employees to form a simple external motivation. On the other hand, performance pay is a kind of reward given to employees according to their performance appraisal. For employees, it is the recognition of their past efforts, which will make them feel the value of their existence and the support of the organization and satisfy their higher psychological needs, such as respect and self-realization. At this time, performance pay brings internal motivation to employees, which makes performance pay internalize into a positive subjective feeling of employees' psychology. And internal motivation is more persistent and powerful than extrinsic motivation. Internal motivation will have a greater impact on employees. Sometimes, employees will give up more external materials and put more effort into the organization in order to meet their internal needs for achievement and appreciation. And in most cases, extrinsic motivation needs to be transformed into external motivation to motivate employees. Therefore, this study believes that performance compensation, as an important external information environmental factor, can promote employees' internal motivation and external motivation. Therefore, the hypothesis is proposed as follows:

H2a: there is a positive relationship between performance pay and employees' external motivation.

H2b: there is a positive relationship between performance pay and internal motivation of employees.

According to relevant studies, work motivation is an important intermediary variable between social environmental factors and individual work behaviors (Jian Zhang, 2010). Performance pay, as an environmental factor, can meet the needs of employees' autonomy, competence and relationship, stimulate the internal motivation of individuals, so that employees are interested in the work itself and make greater efforts, that is, internal motivation is the original motivation for individuals to participate

in work activities (wei Li, Jixia Mei, 2012,2013). On the other hand, as an external incentive, performance compensation can stimulate employees' external motivation. When employees' external motivation is stimulated, they usually show positive work involvement in order to achieve the desired results. For example, Koestner and Losier (2002) pointed out that external motivation can make employees pay more efforts to important tasks that they are not interested in, thus making their positive state of work input more lasting. Therefore, the following hypothesis can be put forward:

H2c: internal motivation plays an intermediary role between performance salary and employee's job involvement.

H2d: external motivation plays an intermediary role between performance salary and employee's job involvement.

According to the above theories and assumptions, the overall basic model of this study can be summarized as shown in figure 1:

Method

The research samples. We took the staff of small and medium-sized enterprises of innovation and entrepreneurship in wuhan as the survey object, 175 target employees were randomly selected as the survey object. In this survey, a total of 175 questionnaires were sent out and 139 questionnaires were recovered. 117 valid questionnaires were finally retained after removing incomplete questionnaires and questionnaires with obvious regularity, with an effective recovery rate of 84.17%.

The measurement tools. Performance pay. By Perry and Pearce (1983) compiled by the scale, a total of four item, using Likert5 point scoring, inventory items include: "if I was especially good at work, I will probably get a raise", "get a raise to make me work harder" and "in the enterprise performance with the highest employees get the highest salary", "high performance and low performance appears to have been the same salary".

Work engagement. Nine questions developed by Schaufeli, Bakker and Salanova (2006) were selected, including three dimensions of vitality, dedication and concentration. Each dimension had three items, and a total of nine items. For example, "at work, I feel energetic" (vitality), "I am passionate about my work" (dedication), "at work, I will reach the state of selflessness" (concentration). Likert7 (1= never, 7= always).

Work motivation. Measurement of internal motivation and external motivation: a scale for measuring work motivation developed by Tremblay et al. (2009) was selected. There were 3 items in each dimension and 6 items in total. For example, "because I get pleasure from learning new knowledge" (external motivation), "because this job brings me income" (extrinsic motivation). Likert7 (1= disagree completely, 7= agree completely).

Control variables. In this study, gender, education degree, age, and marital status were selected as the control variables, excluding the potential impact of these variables on work engagement. Among them, gender (male =1, female =2), education degree (junior college =1, undergraduate =2, master's degree or above =3), marital status (unmarried =1, married =2).

The data processing. SPSS22.0 was used for descriptive statistics and correlation analysis of sample data. The mean, standard deviation and correlation coefficient of each variable were shown in table 1.

Results

There was a significant positive correlation between performance salary and internal motivation and external motivation, and a significant positive correlation between work engagement and internal motivation and external motivation. These results provide a necessary premise for analyzing the relevant hypotheses of this study.

Table 1 The descriptive statistics, relevance and reliability analysis of each study variable

variable	M	SD	1	2	3	4	5	6	7	8
Gender	1.32	0.468	1							
Education degree	2.14	0.671	0.030	1						
Age	2.25	0.783	-.098*	-0.019	1					
Marital status	1.6	0.502	.149**	0.041	-.415**	1				
Performance pay	4.2508	0.8285	.173**	-0.084	-0.087	0.038	1			
Internal motivation	4.4115	0.7723	-0.070	-.096*	-0.039	-0.045	.429**	1		
External motivation	4.3831	1.0602	-0.044	-0.053	0.006	-0.046	.635**	.505**	1	
Work engagement	4.3048	0.9111	.223**	-0.015	-0.039	.133**	.220**	.180**	.224**	1

*. At the level of 0.05 (double-tailed), the correlation was significant. **. At the level of 0.01 (double-tailed), the correlation was significant.

Main effect test. Hypothesis H1 believes that performance pay has a positive impact on employees' work engagement. As can be seen from model 3 in table 2, when gender, marital status, education degree, age and other demographic variables are controlled, performance pay is positively correlated with work engagement ($b=0.19, p<0.001$), and H1 is supported. Performance pay and motivation. As can be seen from model 1-2 in table 2, when demographic variables are controlled, performance pay is positively correlated with internal motivation ($b=0.45, p<0.001$) and external motivation ($b=0.67, p<0.001$), and H2a and H2b are supported.

Table 2. Hypothesis test results

	Internal motivation	External motivation	Work engagement		
	Model 1	Model 2	Model 3	Model 4	Model 5
Performance pay	.45***	0.67***	0.19***	0.12*	0.39
Internal motivation				0.15**	
External motivation					.20***
R ²	.21	.43	.35	.11	.12
ΔR ²	.19***	.43***	.46***	.05***	.06***

Note: the coefficient is the normalized regression coefficient, and the value in brackets is the standard error. * means $p < 0.05$; ** means $p < 0.01$; *** means $p < 0.001$.

Mediating effect test. Based on Baron and Kenny (1986), they proposed the method of mediation effect test, which needs to meet three conditions: first, the independent variable (performance pay) has a significant impact on the dependent variable (work engagement); Secondly, independent variables have significant influence on mediating variables (internal motivation, external motivation). Third, control the effect of mediating variables. The effect of independent variables on dependent variables is no longer significant (complete mediating) or significantly weakened (partial mediating). The results of hierarchical regression are shown in table 2. The first test and the second test have been verified previously. The third step is to add mediating variable to test the joint influence of independent variable and mediating variable on dependent variable, as shown in model 4-5. It can be seen from model 4 that after adding internal motivation as mediating variable, the significance of performance pay and work

engagement decreases ($b=0.12, p<0.05$), indicating that internal motivation plays a partial mediating role, and the hypothesis H2c is supported. It can be seen from model 5 that after the addition of external motivation as the intermediary variable, performance pay is no longer related to work engagement ($b=0.393$), indicating that external motivation plays a complete mediating role. H2d is supported. In addition, in model 4-5, external motivation ($b=0.15, p<0.01$) and external motivation ($b=0.20, p<0.001$) were significantly correlated with work engagement.

Discussion

Performance pay and work engagement. The results of this study show that performance pay has a significant positive predictive effect on work engagement, indicating that performance pay can predict the degree of work engagement of employees to a certain extent, and performance pay will directly affect the degree of work engagement of employees in enterprises. This is because in the performance pay system, employee can get a higher sense of fairness and satisfaction by linking personal efforts with respect for returns with pay as leverage, and then the degree of commitment to the organization and dedication to the work will be more and more deviated.

Work motivation and work engagement. The results of this study show that both internal motivation and external motivation have significant positive predictive effects on job engagement, which indicates that both internal motivation and external motivation can stimulate employees' enthusiasm for work engagement.

Mediation effect analysis. The results of this study show that between performance pay and work engagement, internal motivation plays a part of the intermediary role, while external motivation plays a full intermediary role. It shows that we can stimulate employees' internal motivation to enhance the incentive effect of performance pay on employees' work engagement. In enterprises, employers need to know the types of employees' work motivation through questionnaires or interviews. Then according to different motivation types of employees, employers should adopt different management methods and performance pay measures to improve their work engagement.

Reference

- [1] Schaufeli, W. B, M. Salanova, V. Gonzalez Roma &A.B. Bakker. The measurement of engagement and burnout: a two sample confirmatory factor analytic approach[J]. *Journal of Happiness Studies*. 2002 ,3,71-92
- [2] Y.F. Xuan and B.G. Xie. The impact of career growth opportunities to employees job involvement: based on the perspective of self-determination theory [J]. *Human Resources Development of China*, 2017.
- [3] Y. Zhang, L.R. Long. Effect of performance pay on employees' breakthrough creativity and progressive creativity [J]. *Acta Psychologica Sinica*, 2014,12:1880-1896.
- [4] X.L. Han, the connotation and the promotion strategies of job involvement -- from the perspective of self-determination theory [J]. *Human Resources Development of China*, 2011,3:52-55.
- [5] J. Gao. The Relationship between external motivation and online learning engagement: a perspective of self-determination theory [J]. *e-Education Research*, 2016,10:64-69.