Understanding talent attraction: Perceived attractiveness of financial reward elements

Angel Hung
(HNGCHI015)

A dissertation submitted in partial fulfilment of the requirements for the award of the degree of Master of Commerce in Organisational Psychology

Faculty of Commerce
University of Cape Town
2013

Supervisor: Associate Professor Anton Schlechter

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Acknowledgements

I would like to acknowledge my supervisor, Dr. Anton Schlechter, for his guidance, support and motivation throughout this study. I would also like to express my appreciation to all the participants, including members of the South African Reward Association (SARA) who participated in this study. I would also like to extend my gratitude to Ms. Katya Mauff for providing expert assistance with the statistical analyses. Lastly, I would like to acknowledge my family as well as my colleague, Nicola Thompson, for their invaluable support, understanding and motivation throughout the year.
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Abstract

**Orientation**- Competition for scarce human capital have emphasised the need for organisations to develop effective attraction strategies that entice knowledge workers (employees with scarce skills). Consequently, it is important for organisations to understand which elements of the Total Reward Model are perceived as attractive rewards or inducements for knowledge workers to ensure that their attraction strategies are aligned with the rewards that are valued and preferred by knowledge workers.

**Research Purpose**- The aim of the present study was to investigate a set of chosen financial reward elements (remuneration, employee benefits and variable pay) to determine whether knowledge workers would perceive them as attractive inducements when considering a job position.

**Motivation for the Study**- Financial rewards such as remuneration have traditionally been a defining feature of an employment relationship. In order to attract knowledge workers and maintain a competitive advantage, it is necessary for organisations to understand whether knowledge workers are attracted to different types and levels of financial rewards. This is applicable in South Africa where the shortage of talent is a largely due to the exodus of scarce skills (human capital) as there are often more lucrative opportunities overseas. Therefore attractive financial rewards or inducements are needed to attract talent in South Africa.

**Research Design**- The study followed a quantitative research approach and a $2^3$ full-factorial experimental design (field experiment) was used. There were three independent variables, namely remuneration, employee benefits and variable pay (financial reward elements). The dependent variable was perceived job attractiveness. The three financial reward elements were manipulated and attached to a job position. This resulted in eight different versions of a job advertisement which were used as a stimulus to determine the effect of financial rewards on perceived job attractiveness. A single questionnaire was used to measure participants’ perceived attractiveness of the job. The programme Qualtrics was used to randomly assign participants to each experimental group and to ensure that each group consisted of a similar number of
participants. A convenience sampling approach was used to distribute the advertisements and questionnaire to different organisations throughout South Africa, as well as corporate members of the South African Reward Association (n= 169). Data was analysed using descriptive statistics and factorial ANOVA.

**Main Findings**- The results showed that participants considered high levels of remuneration (remuneration above the 75th percentile of the market) to be statistically significantly more attractive than lower levels of remuneration (remuneration at or below the 50th percentile of the market). Similarly, having benefits as part of a reward package (where the employer contributes 100% of total retirement fund contribution plus highest level of medical cover) was perceived as statistically significantly more attractive than having no benefits, and variable pay present as a reward package (13th cheque as well as a performance bonus and share options) was statistically significantly more attractive than having no variable pay.

The results of the ANOVA revealed that all three financial reward elements of the Total Reward Model had statistically significant main effects on job attractiveness. In contrast, gender, race and age did not have statistically significant main effects on job attractiveness.

**Practical Implications**- The use of an experimental design verified that financial reward elements, including high levels of remuneration and providing benefits and variable pay as a reward are attractive to knowledge workers. Therefore, organisations should incorporate the proposed types and levels of financial rewards into their attraction strategies.

**Theoretical Contribution**- Using an experimental approach adds to the body of social science research as no prior studies have identified the attractiveness of financial reward elements in a controlled environment. There is also limited empirical research in South Africa which highlights the level and combinations of financial reward elements that are attractive for talented employees.
CHAPTER 1

INTRODUCTION

In the global economy today, economic growth and competitiveness is increasingly determined by high level skills inputs, the value added by innovations in management and by the levels of entrepreneurship (Aguinis, Gottfredson, & Joo, 2012). Traditional sources of competitive advantage such as technology and financial capital have become less scarce and are not as effective nor as sustainable as they were several decades ago (Holland, Sheehan, & De Cieri, 2007). Furthermore, globalisation has led to increasing levels of technological sophistication and created faster and improved ways of transferring information across industries. Products and processes can therefore be more readily replicated by competitors, and intangible assets such as brands, intellectual capital and talent have become critical to organisational success (Holland et al., 2007). Consequently, human capital has become an important strategic resource for competitive advantage as differentiation now rests with the unique talents of the people in an organisation (Aguinis et al., 2012; Holland et al., 2007). Farndale, Scullion and Sparrow (2010) argued that the rapid pace of globalisation and technological changes have emphasised the need for a more strategic role in Human Resource Management (HRM), particularly in the area of talent management. Talent management is about systematically using strategic HRM practices and policies to attract, develop and retain individuals with high levels of human capital (scarce skills) to maintain competitive advantage and achieve strategic goals (Tarique & Schuler, 2010).

Talent management is crucial in an era that is characterised by a war for talent. The war for talent is a situation where there is a global scarcity of human capital and the demand for employees with scarce skills outweighs supply (Hay, 2002). The war for talent is characterised by the struggle to retain employees with highly marketable skills, and the competition to recruit top talent. It exists because talented employees generate significant amounts of revenue and substantially contribute to the overall success of an organisation (Aguinis et al., 2012). The war for talent is prevalent
among knowledge workers as the economy has shifted from an industrial economy to a knowledge economy. Knowledge workers are critical to organisational success as they are considered corporate assets. These workers are considered as scarce talent because they possess knowledge (which is not transferable) as a powerful resource (Sutherland & Jordaan, 2004).

Talent scarcity is not a foreign phenomenon to Africa, and in particular, South Africa. Although Africa has a large population of young people, the unemployment rate is relatively high with some figures reaching as high as 30% in some African countries (African Association for Public Administration and Management (AAPAM), 2008). South Africa had an unemployment rate of 24.9% in the fourth quarter (October to December) of 2012 (Statistics South Africa, 2012). The paradox here is that there is still a shortage of talent/employees with scarce skills despite the high rate of unemployment (Elegbe, 2010). According to the AAPAM, talent scarcity in Africa is a result of talented individuals migrating to developed countries (for example the United Kingdom, the United States of America and Australia). This is also known as the brain drain phenomenon (Moolman, 2012; Politics Web, 2012). Primary reasons for the exodus of skills include poor remuneration, uncompetitive work environments and crime (AAPAM, 2008). Another reason is that many organisations in developed countries have attractive employer brands and they also offer benefits such as opportunities to become permanent residents or assisting with acquiring citizenship. The positive organisational image and benefits serve as effective attraction tools for hiring talent globally (Elegbe, 2010). An example in South Africa is the exodus of highly skilled mining and pyrometallurgical engineers to Australia. These individuals are considered scarce resources as only 10% of South African graduates major in engineering science (Moolman, 2012). They are highly prioritized and many of them choose to leave South Africa for higher paying work or more attractive opportunities overseas.

Virtual workplaces have also increased significantly and boundaries between organisations have become more permeable as a result of globalisation. This has allowed more collaboration between organisations, but on the other hand, it has also
intensified the competition for human capital (D”Annunzio-Green, 2008). Furthermore, permeable boundaries contribute to career mobility and information about competitors (such as pay structures) can be obtained more easily. This allows employees to learn about more lucrative opportunities elsewhere and as a result, employees are more likely to leave their current organisation for more attractive offers (Kochanski & Ledford, 2001). According to Sutherland and Jordaan (2004) knowledge workers are highly mobile. These employees recognise that their skills are highly sought resources and this gives them the freedom to move from one organisation to another (Elegbe, 2010; Sutherland & Jordaan, 2004). Consequently, a highly mobile workforce and increasingly competitive labour market has highlighted the need to focus on talent management. In the book entitled Good to Great, Collins (2001, p.42) wrote “If you have the wrong people, it doesn”t matter how great your strategy may be, you still won”t have a great company”. Elegbe (2010) adds that organisations need to acknowledge and appreciate the fact that people are one of the most important pillars of their success. Therefore, attracting and retaining key talent has become a critical organisational competency to ensure sustained competitive advantage (Sutherland & Jordaan, 2004).

A previous study by Pregnolato (2010) focused specifically on the talent retention aspect of talent management. Pregnolato (2010) applied a conjoint task analysis which required participants to make trade-offs in order to identify the ideal mix of reward elements and desired amount of total reward factors that retain knowledge workers and employees from different race, gender and age groups. The current study builds on Pregnolato’s (2010) study by focusing on the talent attraction aspect of talent management.

Pregnolato (2010) found that of the financial and non-financial reward elements, financial rewards (i.e. monetary benefits, monetary recognition, and remuneration) were the most important types of rewards to retain employees from various demographic groups. Therefore the focus of the research is on the financial elements of the total reward model as an attraction strategy. Financial elements have traditionally been a defining feature of an employment relationship and other research
has also found it to be one of the strongest attraction and retention measures (Tornikoski, 2011). However, with changing demographics as well as changes in the nature of the workplace (i.e. globalisation, diversification and telecommuniting), non-financial reward elements such as workplace flexibility and opportunities for personal development have become increasingly important (Bussin, 2003). For example, Kearney (2003) suggested that some employees are willing to forfeit high wages for non-financial rewards such as workplace flexibility. Therefore, by focusing only on the financial elements, one can determine whether financial reward elements alone are still relevant and important attributes to attract employees.

In order to attract knowledge workers and maintain a competitive advantage, it is necessary for organisations to understand which types of financial reward elements and what levels of these reward elements are perceived as attractive inducements for knowledge workers. Therefore, the aim of the current study is to investigate a set of chosen financial reward elements (remuneration, employee benefits and variable pay) in a controlled environment. The objectives are to determine the impact of financial reward elements on job attractiveness, and to determine which levels of these financial rewards are most attractive to knowledge workers.
CHAPTER 2

LITERATURE REVIEW

As discussed above, it is believed that organisations today operate in an economic climate where shortages of talented employees and challenging work environments are realities. This has created a need for organisations to recognise the strategic importance of human capital. According to Aguinis et al. (2012), there are very few individuals within each industry who are considered top human capital. These individuals are often known as knowledge workers. Since knowledge workers are considered as scarce resources, there is competition to hire away these individuals from other companies. In order to hire and attract the best talent, organisations need to develop compelling attraction strategies and ensure that they offer rewards and inducements that are attractive to knowledge workers. However, before organisations can develop their attraction strategies, it is important to understand the various factors that influence the attractiveness of a job position which will be discussed below.

Employee Attraction

One of the most important activities for organisations is the attraction of knowledge workers (Holcombe-Ehrhart & Ziegert, 2005). Knowledge workers are considered to be critical to long term organisational success and integral to organisations’ intellectual capital (Birt, Wallis, & Winternitz, 2004). Aiman-Smith, Bauer and Cable (2001) defined job attraction as an expressed general positive affect towards a job. Job attraction can include a number of components such as having a positive affective attitude toward a job position and willingness to exert effort to work when one has accepted the job position (Aiman-Smith et al., 2001). There are several factors that influence the attractiveness of a job position. These include employer branding; the types of psychological contract; person-organisation fit; the employee value proposition and total rewards. The following section will provide a brief overview of the above mentioned factors, except total rewards which will be discussed in more detail as it forms the basis of the study.
Employer branding

According to Mandhanya and Shah (2010) employer branding is one of the main factors that influences job attraction. Employer branding is defined as “… a targeted, long term strategy to manage the awareness and perceptions of employees, potential employees, and related stakeholders with regards to a particular firm (Mandhanya & Shah, 2010; p.43). Employer branding represents an organisation’s efforts to promote a clear view of what makes it different and desirable as an employer. It is typically achieved by developing and communicating a compelling and exclusive organisational image in the minds of employees and candidates which attract and retain them (Mandhanya & Shah, 2010). According to Arachchige and Robertson (2011) a strong organisational image is critical in the recruitment process. Organisations need to consider the type of image they wish to present to potential employees in the labour force in order to attract talented employees (Arachchige & Robertson, 2011).

Psychological contract

Rousseau and Ho (2000) proposed that the psychological contract is a subjective contract which reflects an individual’s beliefs regarding an exchange agreement binding the individual and another party (the organisation in this case). There are different types of psychological contracts which are characterised in terms of the intersection between work duration (short-term or open-ended) and performance contingencies. Performance contingencies refer to the extent to which rewards are explicitly tied to levels of individual contribution to the firm (Rousseau & Ho, 2000). Rousseau and Ho (2000) proposed that there are four types of psychological contracts, namely transactional contract, transitional contract, relational contract, and balanced contract (see Figure 1 below). Rousseau and Ho (2000) suggest that applicant attraction to a job will depend on the type of contract he or she is seeking. For example, an individual who is interested in short-term employment and commission based pay will most likely be attracted to jobs that offer a transactional contract. In contrast, an individual interested in developing a long-term career within a particular organisation may be more attracted to jobs that offer a balanced or relational contract.
Person-organisation fit

In addition to employer branding and the various types of psychological contracts, job attractiveness is also influenced by the organisational culture and the degree of fit between individuals and organisational characteristics. The latter is often referred to as person-organisation fit (Holcombe-Ehrhart & Ziegert, 2005). Kristof (1996, p.4) defined person-organisation fit as “…the compatibility between people and organisations that occurs when (a) at least one entity provides what the other needs, or (b) they share similar fundamental characteristics, or (c) both”. Job applicants are affected by the perceived match between their needs, values and to some extent, their personalities with the organisation’s attributes.

Personality variables have been previously used to predict people’s preferences for organisations that offer certain types of reward. For example, Cable and Judge (1994)
found individuals with high self-efficacy to be more attracted to jobs that provided high levels of pay. Lievens, Decaesteker, Coetsier and Geirmaert (2001) also found that individuals with a high need for achievement were more attracted to jobs that rewarded individual performance. Furthermore, Chapman, Uggerslev, Carroll, Piasentin and Jones (2005) found a positive relationship between organisational attributes (such as pay, benefits and type of work) and job-organisation attraction. These findings suggest that organisational attributes is a possible predictor of applicant attraction. Therefore organisations need to understand the attributes (e.g. rewards and inducements) that potential applicants want and value in order to attract the desired pool of talent (Elegbe, 2010).

**Employee value proposition**

According to Turban and Keon (1993), the extent to which an organisation provides inducements for an individual’s contributions establishes the context in which the individual may choose to accept or reject a job in an organisation. Elegbe (2010) compiled a list of inducements that help to describe some of the factors that people consider when making career choices. These include:

1. A creative workplace characterised by interesting and challenging work.
2. Opportunities for earning, growth and advancement.
4. Competitive pay, profit-sharing, stock options and different forms of insurance cover.
5. Quality of life which includes time for their families as well as their passions that are not work related.
6. Attractive culture which includes diversity, work-life balance, transparency and empowerment.

The above mentioned inducements can be summarised into an organisation’s Employee Value Proposition (EVP) (Kochanski & Ledford, 2001; Parreira, 2007). The EVP can be defined as the set of attributes that employees perceive as the value they gain through employment in an organisation (Kochanski & Ledford, 2001). The
EVP drives attraction as job attractiveness depends on the alignment of an organisation’s EVP with an applicant’s values and priorities (Parreira, 2007). As a result, an attractively managed and well aligned EVP will increase an organisation’s success in talent attraction (Parreira, 2007).

With globalisation and the increase in competitiveness in attracting and retaining high performing people, organisations can no longer use a single EVP or reward solution as an attraction tool (Bussin, 2003). Consequently, organisations have adopted a model that attempts to embrace everything that employees’ value in the workplace. This is known as the Total Rewards Model which is a framework of reward strategies to attract, motivate and retain employees (WorldatWork, 2011). Many studies have found the Total Rewards Model to be an effective attraction and retention tool (Boyd & Salamin, 2001; Jan van Rooy, 2010; Rumpel & Medcof, 2006).

The Total Rewards Model
Boyd and Salamin (2001) defined reward as part of an organisation’s compensation plan and it is central to the attraction, motivation and retention of employees. Total reward differentiates the reward offered by organisations as it comprises monetary as well as non-monetary rewards (Jan van Rooy, 2010). Thomson (as cited in Armstrong & Murlis, 2004, p.11) defined Total Rewards as rewards that not only include “…traditional, quantifiable elements like salary, variable pay and benefits but also intangible non–cash elements such as scope to achieve and exercise responsibility, career opportunities, learning and development, the intrinsic motivation provided by the work itself and the quality of working life provided by the organisation”. Organisations must consider which rewards (monetary or non-monetary) are valued by employees and determine whether their alignment of Total Rewards will achieve the desired attraction and retention effects (Rumpel & Medcof, 2006).
Elements of total rewards

The Total Reward Model proposed by WorldatWork (2011) consists of five key elements that comprise the term Total Reward Strategy. The model is illustrated in Figure 2 and the elements include:

1. **Remuneration**: cash payments provided from an employer to an employee in exchange for the services rendered. The most common form of remuneration is a salary or fixed pay and the amount is usually determined by the organisation’s pay structure. Remuneration is also commonly referred to as compensation (Worldat Work, 2011); therefore these two terms are interchangeable in the current study.

2. **Benefits**: programmes and schemes given in addition to remuneration. Common benefits include insurance and pension funds which provide security for employees and their families.

3. **Work-life balance**: organisational policies, practices and systems that support employee efforts and enable them to be successful both within and outside the workplace.

4. **Performance and recognition**: performance involves the alignment and assessment of individual or team efforts towards the achievement of organisational goals. It often includes feedback and continuous improvement. Recognition acknowledges employee efforts, behaviour and performance. Recognition rewards can be in monetary form (bonus) or non-monetary (verbal recognition).

5. **Development and career opportunities**: development includes learning programmes and workshops that enhance employee knowledge and competencies. Career opportunities include career plans and succession plans that help employees pursue their career goals.
The five elements of total rewards can be categorised into financial and non-financial rewards (Armstrong & Murlis, 2004). Financial rewards include Remuneration, Benefits and Performance and Recognition, and non-financial rewards consist of Work-life balance and Development and Career opportunities. As mentioned above, the overall purpose was to identify which financial reward elements and what levels of these elements are perceived as most attractive to current and prospective employees. Therefore the financial elements of the total reward model will be further discussed in the following section.

**Remuneration**

Remuneration is cash payments (money) provided from an employer to an employee in exchange for the services rendered. Mitchell and Mickel (1999) suggest that money is a medium of exchange with objective functions. For example, money can be used to acquire goods and services, and it can also be used as a standard to compare the value of different objects. Money also has subjective meanings as people project their own
definitions onto it and societies have rules and social norms that dictate its use. For example, money can represent wealth and social status (Mitchell & Mickel, 1999).

Mitchell and Mickel (1999) further proposed that money consists of three components, namely affective, symbolic and behavioural components. The affective component suggests that on one end of a continuum there are some people who view money as important and valuable, while on the other end some people perceive the value of money as bad and evil. Symbolically, money is associated with attributes that most people strive for. These include achievement and recognition; status and respect; freedom and control; and power. Money is often used to recognise accomplishments; it can provide the luxury of time and autonomy as well as power and access to resources (Mitchell & Mickel, 1999). The behavioural component focuses on people’s actions such as investing money (Mitchell & Mickel, 1999). There are also many different individual, cultural and social perspectives on the value of money. However, Mitchell and Mickel (1999) suggest that a consistent theme throughout the varying points of view is the emphasis on the importance of money. Money is considered as a prime factor in the foundation of commerce as people start and organise businesses to make money. In organisations, the most obvious way money is used is in the employee-organisation relationship where organisations pay employees in exchange for their services (remuneration). Organisations also use money to recognise and reward good performance, as well as to attract, motivate and retain employees (Mitchell & Mickel, 1999). For the purpose of the study, money will be conceptualised as remuneration.

The most common form of remuneration is a salary or fixed pay and the amount is usually determined by the organisation’s pay structure (WorldatWork, 2011). Lievens et al. (2001) suggested that remuneration policies are malleable and organisations can distinguish themselves from competitors by offering different levels of remuneration. Therefore, in most management literature remuneration is further conceptualised as the level of pay and most research examine how the different levels of pay affect attitudes and behaviours such as job satisfaction and turnover intentions (Cable & Judge, 1994; Mitchell & Mickel, 1999). Pay levels can be classified into two
categories: pay that is above the 75th percentile of the market (base salary targeting the upper end of the market) and pay that is below the 50th percentile of the market (base salary targeting the lower end of the market). These two levels of pay were determined by remuneration literature and were validated via a questionnaire which was designed to elicit expert opinion from seven Remuneration Managers working in large multinationals (Pregnolato, 2010). The Remuneration managers were requested to identify the different levels of remuneration which, in their experience or opinion, were likely to retain employees. The level of remuneration that received the highest percentage was converted into low or high market pay which resulted in the classification of the two categories mentioned above (Pregnolato, 2010).

Remuneration and Attraction
As mentioned above, money consists of three components. The symbolic component of money is particularly important for attraction purposes as the level of pay is an important organisational characteristic that influences people’s initial assessment of job attractiveness (Lievens et al., 2001). The level of pay also acts as a vehicle for satisfying human needs such as status, achievement and recognition (Barber & Bretz, 2000). In addition, Cable and Judge (1994) suggested that pay levels also have a direct effect on employee attraction because it determines the level of purchasing power. The higher the level of pay, the greater the purchasing power. An organisation’s remuneration system may also influence the attractiveness of a job because remuneration systems can act as signalling devices that convey information about an organisation’s values, culture, philosophy and practices (Rynes, 1987). For example, through the remuneration policies job seekers can determine whether the organisation is offering an individual based salary, or whether the salary is based on group performance. Individuals may then use these signals to compare jobs from different organisations and assess their levels of attractiveness (Cable & Judge, 1994).

Previous studies have also found remuneration to be one of the most important job attributes that applicants consider when looking for a job (Boswell, Roehling, LePine, & Moynihan, 2003; Jan van Rooy, 2010; Jurgensen, 1978; Tornikoski, 2011). Therefore, it is accepted that individuals are more attracted to organisations that offer
higher levels of pay. For example, Cable and Judge (1994) found that materialistic individuals were attracted to organisations that offered high levels of pay. However, it is worth noting that the results of Lievens et al’s (2001) study was not consistent with previous studies. Instead, Lievens et al. (2001) found that remuneration did not have a significant effect on the level of organisational attractiveness. Overall, money is believed to be significant not only because of what people can do and buy with it, but money is also a tangible method of recognising people’s worth if it is offered as a reward (Armstrong & Murlis, 2004). Therefore given the symbolic value of remuneration and its potential use as a signal of organisational culture and values, it is clear that remuneration is an important financial element that job applicants will consider when making job or career choices. Moreover, Dulebohn, Molloy, Picher and Murray (2009) suggest that employee benefits have become an essential addition to remuneration for organisations to remain competitive in the labour market. This will be discussed in the following section.

Employee Benefits

WorldatWork (2011, p.5) defined benefits as “Programs an employer uses to supplement the cash compensation that employees receive”. Armstrong and Murlis (2004) suggested that benefits provide a quantifiable value for employees and they may be deferred or contingent like pension schemes, health and welfare plans and sick pay; or they may be immediate benefits such as company cars (Armstrong & Murlis, 2004). Armstrong and Murlis (2004) further proposed that benefits do not have to be of monetary value as organisations can also offer non-monetary benefits such as annual holidays. According to Lengnick-Hall and Bereman (1994), benefits have a direct effect on individual outcomes and an indirect effect on organisational outcomes. Individual outcomes include job satisfaction and organisational commitment while organisational outcomes include employee attraction and retention. Employee benefits serve as an attraction tool as it provides for the actual or perceived personal needs of employees such as security and in some cases it also provides assets (e.g. company cars) in addition to pay (Armstrong & Murlis, 2004).

According to Armstrong and Murlis (2004), benefits can be divided into four main categories, namely 1) pension schemes; 2) personal security; 3) financial assistance
Pension schemes

Pension schemes are generally regarded as the most important employee benefit. Pension schemes represent financed contributions which build up rights to a guaranteed income for employees on retirement or death, provided the employee has met certain age and service requirements (Armstrong & Murlis, 2004; Williams & MacDermid, 1994). There are typically two types of pension schemes which include defined contribution and defined benefit plan (Williams & MacDermid, 1994). A defined contribution pension scheme is one where the organisation contributes a fixed amount of money to an employee’s pension fund account. The employee does not risk losing the pension benefit if he or she leaves the organisation prior to retirement as the funds invested in this type of pension scheme are accumulated throughout the employee’s life (Williams & MacDermid, 1994). In contrast, a defined benefit scheme is where the organisation provides the employee with a lump sum payment upon retirement. The lump sum is often calculated in relation to the employee’s earnings and number of years of service to the organisation (Williams & MacDermid, 1994).

Personal security

Personal security includes benefits which enhance employees’ personal and family security with regards to illness, health, accident and life insurance. These include benefits such as personal accident cover, medical or health insurance and health screening (Armstrong & Murlis, 2004). Personal accident cover is a particularly common benefit in organisations where the work can be hazardous for environmental and political reasons. For example, some organisations offer additional compensation should an employee be involved in an accident resulting in serious injury or death (Armstrong & Murlis, 2004). Medical or health insurance includes schemes which cover the costs of medical treatment. It also provides security of income for employees with chronic illnesses. For example the dependants of an employee suffering from chronic illness are relieved from financial hardship by the medical scheme’s payments. In addition, organisations use health screening as a method to look after their employees’ health and well-being. The screening not only looks at
employees’ current state of health, but it also analyses their lifestyle to provide advice on the prevention of future health problems as well as stress management (Armstrong & Murlis, 2004).

**Financial assistance**
Financial assistance includes benefits such as relocation packages and company discounts. Relocation packages are applicable when organisations recruit specialist managers or employees from other parts of the country, or where employees are required to move to another location for work purposes. In these instances the relocation packages compensate for the personal upheaval as well as the costs of moving personal possessions (Armstrong & Murlis, 2004). Company discounts are very much appreciated by employees as employees are able to purchase company products or services at favourable discounts (Armstrong & Murlis, 2004).

**Personal needs**
Personal needs benefits refer to entitlements which recognise the interface between work and family responsibilities. Typical benefits include holiday, family responsibility leave and recreational facilities such as a gym and childcare facilities (Armstrong & Murlis, 2004). Personal needs benefits often increase with tenure. For example, the longer an employee’s services at the organisation, the longer the vacation time (Williams & MacDermid, 1994).

**Employee Benefits and Attraction**
Jensen, McMullen and Stark (2007) and Rousseau and Ho (2000) suggest that benefit programmes provide a signal of the quality of the employment relationship. The amount and type of benefits influences employees or applicants’ Perceived Organisational Support (POS). In other words, employees view the benefits they receive as the extent to which their organisations value their contributions and care about their well-being (Jensen et al., 2007; Rousseau & Ho, 2000). For example, a pension fund, which is a deferred compensation that an employee receives after retirement, is a popular benefit offered by most organisations. Generous pension
schemes are effective in attracting employees as it provides security for employees and shows that the organisation has the long-term interests of employees at heart (Armstrong & Murlis, 2004). Job security is important to most employees and with employees being more responsible for their careers and retirement; they are likely to be attracted to jobs that offer job security in the form of employee benefits (Jensen et al., 2007; WorldatWork, 2011).

Employee benefits have not only increased over the years, but the types of benefits have also increased (Rousseau & Ho, 2000). For example, many organisations now offer benefits such as childcare and financial planning in addition to traditional benefits like health insurance and pension funds. Huseman, Hatfield and Robinson (1978) found 35 years ago that employee benefits were not attractive inducements that inspired people to join an organisation. The study asked participants to rank the attractiveness of five job attributes when looking for a job and employee benefits were ranked the least attractive attribute in the total sample and across all demographic groups. However, later studies in labour economics found a positive relationship between benefits and applicant attraction (Brown, 1985; Tannen, 1987). Moreover, Barber and Roehling (1993) found benefits to be one of the top three job attributes that applicants desired, and applicants were more attracted to benefits when organisations offered a combination of generous benefits. For example, health and welfare and three weeks paid vacation.

A more recent employee attraction and retention survey by WorldatWork (2007) found that 95% of the participants rated medical plans as having a moderate to high impact on employee attraction. Similarly, more than 90% of the participants indicated that paid vacation has a moderate to high impact on employee attraction and retention. According to Dulebohn et al. (2009) the renewed interest among applicants and employees in benefit packages can be attributed to trends such as the increasing number of women in the labour force and rising costs of benefits such as medical cover. Andrew (2012) notes that South Africans are paying up to five times more on healthcare than other nations. Furthermore, inflation has increased the costs of medical aid and as a result, medical aid companies have had to increase their medical premiums. Consequently, benefits such as health and welfare plans are highly valued by South Africans and organisations can use it as an attraction tool. In addition to
benefits, another form of financial reward which organisations use to supplement compensation is monetary recognition in the form of cash bonuses (Armstrong & Murlis, 2004). This is often referred to as variable pay which is discussed in the following section.

**Performance and Financial Recognition**

Performance management is a process for establishing a shared understanding of what will be achieved, evaluating whether the established standard was achieved, and determining how performance can be improved in the future (WorldatWork, 2011). Most managers and employees perceive the performance appraisal process as a means for salary increase or cash bonuses as a reward for their performance (Elegbe, 2010). According to Elegbe (2010), this perception is so strong that the performance appraisal processes has become meaningless if it is not linked to pay and rewards. Grigoriadis and Bussin (2007) suggested that it has become more difficult for organisations to differentiate between high performing and low performing employees based on their salaries alone. Furthermore, Miceli and Heneman (2000) suggested that organisations hiring from competitive labour markets are required to offer higher cash incentives in order to attract the best candidates. As a result, many organisations have adopted variable pay schemes which are aimed at attracting talented individuals, differentiating employees and giving greater monetary recognition to high performing employees (Armstrong & Murlis, 2004; Grigoriadis & Bussin, 2007; Jensen et al., 2007).

There are many different definitions of variable pay. Some of these include:

Kurdelbusch (2002, p.326) defined variable pay as “…all wage components that are contingent either on a firm’s performance (or the performance of units within the firm), such as profit-sharing, annual bonuses or employee ownership plans, or on individual workers’ achievements (that is, performance-related pay)”. According to Belcher (as cited in Miceli & Heneman, 2000, p.290) variable pay is “…an alternative compensation system that ties pay to business outcomes and
supports a participative management process. Cash payments are based on a predetermined measure or measures of group or organisational outcome”.

A common theme in the definitions is that variable pay represents cash payments (bonuses) which are linked to measures of organisational, team and individual levels of performance (Miceli & Heneman, 2000). This is characterised by performance related pay which is the most common form of variable pay (Grigoriadis & Bussin, 2007). According to Elegbe (2010) performance related pay is a powerful reward instrument for organisations to show how much they acknowledge and value the achievement and contribution of their employees.

Jensen et al. (2007) suggest there are different types of variable pay rewards. The most common variable pay rewards include money in the form of cash bonuses or short-term incentive schemes. These are rewards which are directly related to the achievements and results of individuals, teams or the organisation (Armstrong & Murlis, 2004; Grigoriadis & Bussin, 2007). Another form of variable pay is profit sharing. Profit sharing is the payment of cash or shares to employees based on the profits of the organisation. The amount shared may be predetermined by formula or at the discretion of management (Armstrong & Murlis, 2004). Another scheme similar to profit sharing is gain sharing. Gain sharing is a formula based plan designed to share the results of productivity gain as a group. The formula determines the share by reference to a performance indicator such as added value or a different measure of productivity (Armstrong & Murlis, 2004).

Performance and Recognition (Variable Pay) and Attraction

The use of variable pay by organisations has increased as a WorldatWork (2012) survey about trends in financial programs showed that 84% of the participants have adopted the use of variable pay. A key employee value proposition for attracting talent is highlighting the availability of rewards based on individual performance (Sutherland & Jordaan, 2004). Sutherland and Jordaan (2004) suggested that knowledge workers value independence and individualism; therefore personal achievement and recognition is an important motivator at work. Consequently,
organisations that offer variable pay are more attractive to people who are performance or reward driven and value monetary recognition. This is supported by Lievens et al.’s. (2001) study where individuals with a high need for achievement were more attracted to organisations that recognised and rewarded individual performance. In addition, Aguinis et al. (2012) recommended the use of contingent rewards to win the war for talent. According to Aguinis et al. (2012) extrinsic rewards such as additional bonus payments are important for attracting top talent as skilled individuals are sensitive to justly earned entitlement- that is whether they are being valued and receiving enough pay and rewards for the work they produce. Jan van Rooy (2010) identified the preference of the total reward package across generations and found that performance and recognition was one of the top three job attributes valued by employees across all generations. According to Jan van Rooy (2010) job seekers are attracted to recognition and are more likely to join organisations that offer variable pay. Miceli and Heneman (2000) further suggested that organisations operating in highly competitive markets should offer additional pay to base salary (performance related pay and incentive schemes) in order to attract the best employees.

The fishbone model below (see Figure 3) provides a summary of the factors that influence job attraction. It is clear from the above discussion that the financial elements of the total rewards model have been successful in attracting talented employees. However, Grigoriadis and Bussin, (2007) and Tornkoski (2011) suggested that using one element of the Total Rewards Model alone may not be sufficient to effectively attract employees. Therefore this study will adopt a combination of the financial reward elements (remuneration, benefits and variable pay) as an attraction tool.
In light of the above literature and findings around the role of financial reward elements in explaining job attractiveness, the following research question was derived: Do the type, levels and presence of financial reward elements influence employees’ perceived attractiveness to a job?

The following hypothesis was derived:

$H_1$: Financial reward elements (remuneration, benefits and variable pay) have an effect on job attractiveness.

It is apparent from the above studies that financial reward elements are important for attracting employees, and in particular, knowledge workers. The research objectives is to control for the various factors that influence job attraction by using an experiment to determine whether financial reward elements are important to knowledge workers, and what level of these rewards are attractive to knowledge workers.
CHAPTER 3
METHOD

Research Design
This study followed a quantitative research approach and a $2^3$ full-factorial experimental design (field experiment) was used to investigate the effect of financial reward elements on employees’ perceived job attractiveness. The experiment consisted of two levels of remuneration (low remuneration vs high remuneration), two levels of financial benefits (the presence of benefits vs no benefits), and two levels of variable pay (the presence of variable pay vs no variable pay).

Participants
A convenience sampling approach was used for this study in order to maximise responses within logistical and financial constraints. The questionnaire was distributed to samples from companies in Cape Town and Johannesburg, as well as employees who are members of the South African Rewards Association (SARA). Approximately 220 questionnaires were sent out, of which 205 questionnaires were returned. However, 36 participants were excluded from the analyses as more than 20% missing data were observed in their responses. Consequently, only 169 completed questionnaires were submitted. This equates to a 76% response rate which was very good as online surveys typically have a low response rate of 7% (Bhattacherjee, 2012).

The ages of the respondents (n= 169) ranged from 22 to 66 years ($M= 35.4$, $SD= 10.3$). With regards to gender, the sample consisted of 65 males (38.5%) and 95 females (56.2%), whereas 9 participants (5.3%) did not report their gender. In terms of the respondents’ employment status, 151 participants (89.3%) were employed, 10 participants (5.9%) were unemployed and 8 participants (4.7%) did not report their employment status. The average number of years of employment for those currently employed was 7.2 years ($SD= 5.5$). The minimum number of years of employment
was less than six months and the maximum was over 20 years. Further details about the demographic composition of the sample are provided in the tables below.

Table 1.1 indicates a predominately white sample which is not reflective of the general South African workforce. However, it is likely that these participants are reflective of knowledge workers in the South Africa as the employees surveyed in this study are considered knowledge workers.

Table 1.1

Racial Classification of sample (n=169)

<table>
<thead>
<tr>
<th>Racial Classification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>29</td>
<td>17.2%</td>
</tr>
<tr>
<td>White</td>
<td>94</td>
<td>55.6%</td>
</tr>
<tr>
<td>Coloured</td>
<td>14</td>
<td>8.3%</td>
</tr>
<tr>
<td>Indian</td>
<td>10</td>
<td>5.9%</td>
</tr>
<tr>
<td>Asian</td>
<td>9</td>
<td>5.3%</td>
</tr>
<tr>
<td>Prefer not to disclose</td>
<td>4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Did not report racial category</td>
<td>9</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

According to Pregonalto (2010) knowledge workers operate at different levels of an organisation. Table 1.2 indicates that most of the employed participants are in non-managerial roles with participants in middle management and senior management having nearly equal representation. However, 19 participants (11.2%) did not report their job level.
Table 1.2

*Job Level Distribution of sample (n=169)*

<table>
<thead>
<tr>
<th>Job Level</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Managerial</td>
<td>56</td>
<td>33.1%</td>
</tr>
<tr>
<td>Supervisor/Team Leader</td>
<td>10</td>
<td>5.9%</td>
</tr>
<tr>
<td>Middle Management</td>
<td>32</td>
<td>18.9%</td>
</tr>
<tr>
<td>Senior Management</td>
<td>35</td>
<td>20.7%</td>
</tr>
<tr>
<td>Executive</td>
<td>10</td>
<td>5.9%</td>
</tr>
<tr>
<td>Not Applicable</td>
<td>7</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

Table 1.3 below illustrates that the respondents were derived from a wide range of industries. A total of 150 participants (88.8%) stated their industry while 19 participants (11.2%) did not report their industry. The largest response group was from Human Resources, followed by Consulting, Mining, Banking and Financial Services and Communications and Media respectively.
Table 1.3

*Industry Distribution of sample (n=169)*

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Accounting</td>
<td>6</td>
<td>3.6%</td>
</tr>
<tr>
<td>Automobile</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Banking and Financial services</td>
<td>11</td>
<td>6.5%</td>
</tr>
<tr>
<td>Building and Construction</td>
<td>4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Communications and Media</td>
<td>11</td>
<td>6.5%</td>
</tr>
<tr>
<td>Consulting</td>
<td>15</td>
<td>8.9%</td>
</tr>
<tr>
<td>Education</td>
<td>9</td>
<td>5.3%</td>
</tr>
<tr>
<td>Engineering</td>
<td>6</td>
<td>3.6%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Government</td>
<td>4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Health Care</td>
<td>2</td>
<td>1.2%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Human Resource</td>
<td>18</td>
<td>10.8%</td>
</tr>
<tr>
<td>Information Technology</td>
<td>2</td>
<td>1.2%</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>1.8%</td>
</tr>
<tr>
<td>Legal Services</td>
<td>9</td>
<td>5.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Mining</td>
<td>13</td>
<td>7.7%</td>
</tr>
<tr>
<td>Petrochemical</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Retail</td>
<td>10</td>
<td>5.9%</td>
</tr>
<tr>
<td>States Owned Enterprise</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Sports and Recreation</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Tertiary Education</td>
<td>1</td>
<td>0.6%</td>
</tr>
<tr>
<td>Transport and Logistics</td>
<td>4</td>
<td>2.4%</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>4.7%</td>
</tr>
</tbody>
</table>
Internal and External Validity

Internal validity

According to Bhattacherjee (2012) experimental designs are more rigorous than other research designs. A unique strength of experimental designs is its high internal validity which is due its ability to manipulate independent variables via treatment and observe the effect of the treatment while controlling for the effects of extraneous variables (Bhattacherjee, 2012). Given this advantage, an experimental design was chosen to control for factors that influence job attraction (e.g. employer branding).

Even though experimental designs have high internal validity, they are not immune to threats of internal validity (Bhattacherjee, 2012). According to Bhattacherjee (2012), possible threats of internal validity include:

1. **History threat**: where the observed effects are caused by extraneous or historical events instead of the treatment.
2. **Maturation threat**: possibility that the observed effects are caused by the natural maturation of the participants rather than the treatment.
3. **Testing threat**: occurs most often in pre-post test designs where the participants’ post-test responses are conditioned by their pre-test responses.
4. **Instrumentation threat**: refers to the possibility that differences between pre-test and post-test scores are due to changes in administered tests.
5. **Mortality threat**: the possibility that participants may be dropping out of the study at differential rates between the treatment and control groups.
6. **Regression threat**: the statistical tendency of a group’s overall performance on a measure during a post-test to regress towards the mean of that measure rather than the anticipated direction.

A possible threat to internal validity for the current study was the history threat where participants could have previously been exposed to various levels of financial rewards at their workplace, thereby influencing their perceived attractiveness to the manipulated variables in the current study. For example, participants who are already
receiving high levels of remuneration could expect higher pay and perceive remuneration above the 75\textsuperscript{th} percentile market to be unattractive. However, most of the above mentioned threats (e.g. instrumentation and mortality threat) are more applicable to longitudinal and pre-post test designs. The current study is a cross sectional study where participant responses were recorded at one point in time using the same set of instruments. Therefore, there were limited threats to internal validity and the current study was considered to have a relatively high internal validity.

**External validity**

Bhattacherjee (2012) suggested that compared to laboratory experiments, field experiments have higher external validity. Laboratory experiments have low external validity as there are often more complex extraneous variables in real life settings than in contrived laboratory settings (Bhattacherjee, 2012). In contrast, field experiments have high external validity as they closely represent real-life situations. Therefore the observed results can be generalised from the sample to the population (Bhattacherjee, 2012). However, it is important to note that a convenience sampling approach was used. According to Terre Blanche, Durrheim and Painter (2006), generalisations from the population cannot be made from non-probability sampling methods such as convenience sampling as it is not representative of the wider population. As a result, external validity may be a limitation of the current study.

**Materials**

Eight job advertisements for prospective job positions were designed. The different levels and combinations of financial reward elements were manipulated according to the design matrix illustrated in Table 1.4. For remuneration, +1 represents remuneration that is above the 75\textsuperscript{th} percentile of the market while -1 represents remuneration that is at or below the 50\textsuperscript{th} percentile of the market. For benefits, +1 indicates that benefits are present (offered) which Pregnolato (2010) classified as employer contributes 100\% of total retirement fun contribution plus highest level of medical cover. -1 indicates that there are no benefits. For variable pay, +1 indicates that variable is present (offered) which is represented by a 13\textsuperscript{th} cheque, as well as a
performance bonus and share options (Pregnolato, 2010). -1 indicates that there is no variable pay.

Advertisements were chosen to improve the external validity as they represent real life situations. According to Highhouse, Stierwalt, Bachiochi, Elder and Fisher (1999) job advertisements are typically designed to attract applicants as they contain useful information for applicants when making a decision about whether or not to apply for a job within an organisation. Therefore different versions of a job advertisement were used as a stimulus to determine the effect of financial rewards on perceived job attractiveness (see Appendix A).

Table 1.4

*A 2^3 Design showing the eight Experimental Groups*

<table>
<thead>
<tr>
<th>Conditions</th>
<th>X1 Remuneration</th>
<th>X2 Benefits</th>
<th>X3 Variable pay</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>+1</td>
<td>+1</td>
<td>+1</td>
</tr>
<tr>
<td>2</td>
<td>+1</td>
<td>+1</td>
<td>-1</td>
</tr>
<tr>
<td>3</td>
<td>+1</td>
<td>-1</td>
<td>-1</td>
</tr>
<tr>
<td>4</td>
<td>-1</td>
<td>-1</td>
<td>-1</td>
</tr>
<tr>
<td>5</td>
<td>-1</td>
<td>-1</td>
<td>+1</td>
</tr>
<tr>
<td>6</td>
<td>-1</td>
<td>+1</td>
<td>+1</td>
</tr>
<tr>
<td>7</td>
<td>-1</td>
<td>+1</td>
<td>-1</td>
</tr>
<tr>
<td>8</td>
<td>+1</td>
<td>-1</td>
<td>+1</td>
</tr>
</tbody>
</table>
Measuring Instruments

The scales used in this study consisted of close-ended items to collect quantitative data. The questionnaire was self-reported and consisted of 32 items. The estimated time to complete the full questionnaire was ten minutes.

Job attraction

A five item scale was used to measure employees’ perceived job attractiveness (see Appendix A). An organisational attraction scale by Highhouse, Lievens and Sinar (2003) was adapted to measure job attraction. This particular scale was used because Highhouse et al. (2003) reported a high reliability with a Cronbach alpha of .88. In addition, the scale consisted of relatively few items. According to DeVellis (2003) shorter scales place less of a burden on respondents. The scale was adapted by replacing the word „company“ in the original scale with the word „job“. A sample item of the original organisational attraction scale is “I am interested in learning more about this company.” This was adapted to “I am interested in learning more about this job.” Participants were asked to respond to the five items using a five-point Likert-type scale (1= strongly disagree; 5= strongly agree).

WorldatWork Total Rewards

Participants were also asked to complete a Total Rewards Questionnaire which was developed using the WorldatWork Total Rewards model (Pregnolato, 2010). The aim of this questionnaire was to determine which total rewards are considered most important when deciding on a job position. The scale consisted of 20 items which covered five dimensions of the Total Rewards Model, namely: 1) Performance and Recognition; 2) Work-Life Balance; 3) Learning; 4) Career Advancement; 5) Remuneration and Benefits (Pregnolato, 2010). The dimensions of total rewards had moderate Cronbach alpha’s that ranged from .51 to .71 (Pregnolato, 2010). Participants were asked to respond using a five-point Likert-type scale where 1 represented “Not at all important” and 5 “Very important” (see Appendix B).
Demographics and career information

A demographics and career information section was included at the end of the questionnaire. Demographic information included age, gender, race and country of origin. Career information included length of employment in current organisation, job position and industry.

Manipulation Check

A manipulation check was conducted to determine whether the financial reward manipulations produced the intended effect within the kind of respondents that would participate in the study. The manipulation check consisted of qualitative questions. The aim was to determine if participants would see the difference between the various manipulations. A sample question for remuneration is “What do you think would be a high and low salary?” This included a follow up question such as “Do you consider earning below the 50th percentile of the market to be a high or low salary?” A sample question for benefits and variable pay was “What do you consider benefits (or variable pay) to consist of when given as a reward package?” The qualitative questions were followed by a five-point Likert-type scale where participants were asked to rate the level of attractiveness of the six manipulated financial rewards (1= very unattractive; 5= very attractive).

A paired sample T-test (N=12) was conducted to determine the degree to which participants perceived the manipulated financial rewards to be attractive or unattractive. The means between high and low remuneration differed significantly (t11= 8.21, p< .001) as high remuneration had a higher mean (M= 4.5, SD= .52) than low remuneration (M= 2.17, SD= .84). Therefore remuneration above the 75th percentile of the market was perceived as more attractive than remuneration that is below the 50th percentile of the market. Participants perceived having benefits as a reward package to be more attractive than having no benefits (t11= 19, p< .001) as having benefits had a statistically significant higher mean (M=4.58, SD= .52) than no benefits (M= 1.42, SD= .52). The mean between having variable pay and no variable pay differed significantly (t11= 8.37, p< .001) as having variable pay had a statistically significant higher mean (M= 4.25, SD= .45) than no variable pay (M= 2.33, SD= .78).
As a result, having variable pay as a financial reward was perceived as more attractive than no variable pay. Overall, the manipulations produced the desired effect which was to show that this sample of 12 respondents considered the manipulations to be different and the two levels of each financial reward element to be distinguishable.

Random Assignment
Random assignment is a standard practice in experimental research to ensure that the treatment groups are similar to each other (Bhattacherjee, 2012). The programme Qualtrics was used to randomly assign participants to each experimental group and to ensure that each group consisted of a similar number of participants. Random assignment also improves the external validity of the study as it ensures that the effects of extraneous variables are of a random (non-systematic) nature; thereby allowing inferences drawn from the sample to be generalised to the population (Bhattacherjee, 2012).

Research Procedure
Ethics approval was obtained from the Faculty of Commerce’s Ethics in Research Committee at the University of Cape Town prior to the commencement of the research process. Various versions of an advertisement for a job position were developed using the programme Qualtrics as it is capable of random assignment. The different financial reward package attached to the position was manipulated, resulting in eight versions of the advertisement. In addition to the financial rewards, the advertisement also outlined specific requirements and personal attributes for the position. For example, applicants must be energetic and innovative, and having successfully completed a tertiary qualification would be beneficial. Before distributing the advertisements, a manipulation check was conducted to determine whether participants understood the job advertisements in the way that was intended (e.g. low remuneration vs high remuneration as discussed above).

Qualtrics randomly assigned different versions of the advertisements to participants when they accessed the survey. Each participant received one advertisement followed
by a questionnaire to assess their level of attractiveness to the advertised position. Thereafter participants were asked to complete a second questionnaire (Total Rewards Questionnaire described above). The survey URL was embedded in an email and distributed to participants. A cover letter was included in the questionnaire. The cover letter described the research in detail, informed participants that participation was voluntary, and provided instructions for completing the survey. Once a response was entered it was automatically saved and participants were able to navigate back to their previous questions to make any adjustments to their responses. Participants submitted the completed questionnaire by clicking on the submit button at the end of the questionnaire. If this step was not followed the survey was counted as incomplete and the data was discarded.

A R500 Woolworths shopping voucher was offered via a lucky draw as an incentive to maximise responses. No mandatory questions were included in the questionnaire and participants were given an option of “Prefer not to answer” for potentially sensitive questions such as race. Any items relating to the identity of the participants or their organisations were excluded to maintain confidentiality. Participants were offered the option of providing an email address should they wish to win the prize and receive feedback on the research results. To ensure confidentiality the email addresses have been saved in a private directory and it will only be used for the lucky draw and giving feedback on the results. Data collection took place over a period of 2 months and no reminders were sent out to participants during this period.

**Statistical Analysis**

Descriptive analyses was used to assess the nature of the data while a Full-factorial Analysis of Variance (ANOVA) was used to assess the effect of financial reward on perceived job attractiveness. All statistical analyses including reliability analysis, factor analysis and ANOVA were performed using SPSS for Windows, Release 21.

Overall, the research method provided a clear direction for the research and ensured that the research process would address the research objectives. The results of the study are presented in the following chapter.
CHAPTER 4

RESULTS

The results chapter will provide an analysis of the validity and reliability of the Job Attraction and Total Rewards Scales, as well as the descriptive statistics. Results relating to the impact of financial rewards on job attractiveness were tested using inferential statistical procedures and these will also be described in this section.

Assessing Unidimensionality of the Job Attraction Scale

Validity
Principal Component Analysis (PCA) was used to test the unidimensionality of the job attraction scale. The Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett’s test of Sphericity were conducted to determine whether it was appropriate to proceed with PCA. According to Burns and Burns (2008) the KMO measure should be greater than .5 and Bartlett’s test should be significant in order for factor analysis to be appropriate. A significant Bartlett’s test shows that there is some degree of correlation between the variables (Burns & Burns, 2008). In this case, the KMO measure was .89 and Bartlett’s test was significant ($\chi^2_{10} = 754$, p<.001). Therefore it was appropriate to proceed with PCA. In terms of selecting the meaningful factors, Burns and Burns (2008) suggest Kaiser’s rule, which is to select components with eigenvalues greater than 1 as they explain more variance than an individual item in the data set. The PCA revealed that there was only one factor greater than 1 (eigenvalue= 3.98) and it accounted for 79.7% of the variance. The scree plot, using Catell’s scree test, also suggested that there is only one factor as the curve begins to flatten between factors 2 and 3. With regards to the component matrix, factor loadings less than .30 are considered insignificant and are suppressed (Burns & Burns, 2008).
Table 2.1 illustrated that all 5 items of the job attraction scale loaded significantly on one component (factor loadings: \( .81 < r < .93 \)). The scale could be considered as unidimensional and the factor is assumed to measure the attractiveness of a job position.

<table>
<thead>
<tr>
<th>Component</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. For me, this would be a good job.</td>
<td>.918</td>
</tr>
<tr>
<td>2. I would not be interested in this job except as a last resort.</td>
<td>.862</td>
</tr>
<tr>
<td>3. This job is attractive to me for employment.</td>
<td>.931</td>
</tr>
<tr>
<td>4. I am interested in learning more about this job.</td>
<td>.814</td>
</tr>
<tr>
<td>5. This job is very appealing to me.</td>
<td>.933</td>
</tr>
</tbody>
</table>

| Eigenvalue | 3.98 |
| Percentage Variance | 79.7% |

Extraction Method: Principal Component Analysis.

**Reliability**

The internal consistency of the job attraction scale was assessed using Cronbach alpha. The scale consisted of five items and showed a high reliability (Cronbach \( \alpha = .93 \)). With regards to corrected item-total correlations, Burns and Burns (2008) suggest that the rule of thumb is to delete any items with a corrected item-total correlation of less than .30. In this case, no items were deleted as all five items had item-total correlations greater than .30 (corrected item-total correlations: \( .72 < r < .89 \)). Furthermore, the item-total statistics table indicated that the overall reliability of the scale would increase to a Cronbach alpha of .94 if item 4 was deleted. However, item
4 already had a relatively high item-total correlation of .72 and the Cronbach alpha increase is marginal (0.01). Therefore it was decided to retain item 4. The job attraction scale was thus reliable.

**Assessing the Unidimensionality of the Total Rewards Scale**

*Validity*

PCA was used to determine the underlying factor structure of the Total Rewards scale. Pregnolato (2010) suggested that the factors that make up the Total Rewards scale are independent. Therefore PCA using Varimax with Kaiser Normalisation rotation was selected as Varimax is an orthogonal rotation strategy which treats factors as being independent and maintains the uncorrelated nature of the factors with one another (Burns & Burns, 2008). In addition, Varimax increases the interpretability by rotating factors to ensure that there is more discrimination between high and low loading variables (Burns & Burns, 2008).

The KMO and Bartlett’s test of sphericity showed that it was appropriate to proceed with PCA (KMO= .77, $\chi^2_{190}= 991$, p<.001). Burn and Burns (2008) suggest that items with factor loadings less than .30 are insignificant and were suppressed. In addition, if the difference in factor loadings across factors was less than 0.25 the item was considered to have cross-loaded. Therefore items with either factor loadings less than .30 or that cross-load should be excluded from the analysis and a new round of PCA must be conducted after excluding these items (Burns & Burns, 2008).

In this case, seven items were removed after the first round of PCA as there was evidence of cross-loading. These included items 1 “Recognition provided to you by your employer e.g. Financial recognition such as a cash and paid travel”; item 5 “The quality of performance feedback and performance discussions you have had with your supervisor”; item 6 “The extent to which you believe your contribution and work is valued”; item 9 “Having a manageable workload and reasonable work pace”; item 10 “Having supportive and like-minded colleagues”; item 16 “Your employer’s
provision of employee health and wellness programmes e.g. Employee Assistance Programmes, counselling services, fitness centres” and item 20 “The provision of recognition via non-financial means e.g. certificates of recognition”. A repeated PCA showed evidence of cross-loading for item 2 “The extent to which your employer respects differences in race, gender and age” and item 11 “The opportunities offered to you by your company for training within your current job. e.g. skills training”. As a result, these two items were removed after the second round of PCA. The third round of PCA showed cross-loading for item 7 “The level of challenge and interest you derive from your job” and this item was deleted.

The fourth round of PCA was accepted as the final factor structure as the remaining ten items had factor loadings above .30 and there was no evidence of cross-loading. The scree plot, using Catell’s scree test, confirmed the presence of four factors (Burns & Burns, 2008). Table 2.2 illustrates the items within the Total Rewards scale that loaded onto four factors and explained 67.27% of the total variance. Three items loaded significantly on factor 1 (eigenvalue= 2.83; explained variance= 28.3%), three items loaded on factor 2 (eigenvalue= 1.51; explained variance= 15.1%), two items loaded significantly on factor 3 (eigenvalue= 1.29; explained variance= 12.9%) and two items loaded on factor 4 (eigenvalue= 1.10; explained variance= 10.9%).

The factors were labelled Remuneration and Benefits, Learning and Career Advancement, Work-Life Balance (Practices) and Work-Life Balance (Organisational Climate) respectively. It is important to note that Work-Life Balance items were divided into two separate sets of items. One set of items (factor 3) reflected the underlying constructs of work-life balance practices such as a balanced life-style and flexible work arrangements, whereas factor 4 reflected work-life balance factors such as social friendships at work which contribute to the organisational climate.
The Cronbach alpha technique was used to assess the internal consistency of the Total Rewards Scale. Reliability analysis was conducted on the PCA derived measurement model. The PCA derived Total Reward scale comprised of four factors. The Remuneration and Benefits factor consisted of three items and it showed a Cronbach alpha of .74 which indicated a high reliability. No items were removed as the corrected item-total correlations were all acceptable. The Learning and Career Advancement factor consisted of three items and it showed a moderate reliability (Cronbach $\alpha = .62$). The corrected item-total correlations were above .30, therefore no items were removed. The Work-Life Balance (Practices) factor included two items and it showed a moderate reliability (Cronbach $\alpha = .61$). No items were removed as...
the corrected item-total correlations were all above .30. Lastly, the Work-Life Balance (Organisational Climate) factor consisted of two items and showed a Cronbach alpha of .61 which indicated a moderate reliability. No items were removed as the corrected item-total correlations of the items were acceptable.

Table 2.3 summarises the Cronbach alpha coefficients of the various dimensions for the original measurement model as well as the PCA derived measurement model. The original measurement model consisted of five dimensions of Total Reward while the PCA derived measurement model had four total reward dimensions. A numerical comparison of the Cronbach alpha coefficients revealed that two of the EFA derived factors (WLB and Learning and Career Advancement) had lower reliabilities than the original factors with one remaining constant (Remuneration and Benefits). According to Cortina (1993) the lower reliability is a result of reduced items in the scales. It was decided that it would be appropriate to use the original total reward measurement model as it showed higher reliabilities and it consisted of five dimensions which would comprise of a more holistic view of the Total Rewards Model.

<table>
<thead>
<tr>
<th>Total Reward Factors</th>
<th>Original Number of Items</th>
<th>Original Cronbach’s Alpha Coefficients</th>
<th>EFA Derived Number of Items</th>
<th>EFA Derived Cronbach’s Alpha Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance and Recognition WLB (Including Practices and Organisational Climate)</td>
<td>5</td>
<td>.69</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>WLB Practices: 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WLB Organisational Climate: 2</td>
<td></td>
<td></td>
<td></td>
<td>.61</td>
</tr>
<tr>
<td>Learning and Career Advancement Remuneration and Benefits</td>
<td>4</td>
<td>.73</td>
<td>3</td>
<td>.62</td>
</tr>
<tr>
<td>Remuneration and Benefits</td>
<td>3</td>
<td>.74</td>
<td>3</td>
<td>.74</td>
</tr>
</tbody>
</table>
Descriptive Statistics
The descriptive statistics section provides a numerical comparison of the job attractiveness scores, the eight experimental group’s Mean attractiveness scores for the manipulated financial reward variables, as well as elements of the Total Reward Model.

Job attractiveness
Table 2.4 provides a summary of the descriptive statistics for the job attractiveness scores. Job attractiveness was measured on a five-point Likert-type scale with 5 indicating the highest score, 3 indicating the midpoint and 1 indicating the lowest score. The mean score for job attractiveness was slightly below the midpoint of the scale, showing that overall participants did not perceive the advertisements to be particularly attractive.

<table>
<thead>
<tr>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>169</td>
<td>1.00</td>
<td>5.00</td>
<td>2.97</td>
<td>1.06</td>
</tr>
</tbody>
</table>

Financial reward elements and job attractiveness
Table 2.5 below provides a summary of the descriptive statistics for each of the financial reward elements. Numerically, remuneration that is above the 75th percentile of the market had the highest Mean attractiveness score, followed by benefits present and variable pay present. Figures 4, 5 and 6 below further show that participants perceived high remuneration (above the 75th percentile of the market) to be more attractive than low remuneration (at or below the 50th percentile of the market), and having benefits and variable present as a reward package was more attractive than no benefits or variable pay.
Table 2.5

*Descriptive Statistics of the Financial Reward Elements (n= 169)*

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Remuneration</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above the 75th percentile of the market</td>
<td>86</td>
<td>1.60</td>
<td>5.00</td>
<td>3.59</td>
<td>.70</td>
</tr>
<tr>
<td>At or below the 50th percentile of the market</td>
<td>83</td>
<td>1.00</td>
<td>5.00</td>
<td>2.32</td>
<td>.97</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present</td>
<td>80</td>
<td>1.00</td>
<td>5.00</td>
<td>3.21</td>
<td>1.00</td>
</tr>
<tr>
<td>Not present</td>
<td>89</td>
<td>1.00</td>
<td>5.011</td>
<td>2.75</td>
<td>1.07</td>
</tr>
<tr>
<td><strong>Variable Pay</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Present</td>
<td>88</td>
<td>1.00</td>
<td>5.00</td>
<td>3.14</td>
<td>.99</td>
</tr>
<tr>
<td>Not present</td>
<td>81</td>
<td>1.00</td>
<td>5.00</td>
<td>2.78</td>
<td>1.10</td>
</tr>
</tbody>
</table>

Figure 4 below showed that there was more variability in attractiveness scores for remuneration that is at or below the 50th percentile of the market. The responses for lower levels of remuneration was also positively skewed which suggested that the majority of the participants had low attractiveness scores for remuneration that is at or below the 50th percentile of the market. In contrast, there was less variability on attractiveness scores for remuneration that is above the 75th percentile of the market as scores were clustered at the high end of the scale.
Figure 4. Comparison of the means for Remuneration

Figure 5 below showed that compared to having no benefits, the distribution for benefits present was slightly skewed to the left (negatively skewed). This suggested that the higher frequencies are concentrated toward the high scores and that having benefits was more attractive than no benefits.

Figure 5. Comparison of the means for Benefits.
Figure 6 below revealed that having variable pay had a slightly higher mean than no variable pay. In addition, compared to no variable pay, the scores for variable pay present were relatively clustered towards the high end of the scale which suggested that having variable pay was more attractive than no variable pay.

![Figure 6. Comparison of the means for Variable pay](image)

**Total rewards and job attractiveness**

A comparison of the eight experimental group’s Mean attractiveness scores for each of the Total Reward dimensions are presented in Table 2.6 below. Numerically, Remuneration and Benefits were ranked as the most important total rewards in attraction, followed closely by Work-Life Balance (Practices) and Learning and Career Advancement. Work-Life Balance (Organisational Climate) had the lowest rating in terms of its overall importance in attraction.
Table 2.6

Descriptive Statistics of the Total Reward Elements (n=161)

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration and Benefits</td>
<td>161</td>
<td>2.67</td>
<td>5.00</td>
<td>4.36</td>
<td>.54</td>
</tr>
<tr>
<td>Learning and Career Advancement</td>
<td>161</td>
<td>2.00</td>
<td>5.00</td>
<td>4.21</td>
<td>.57</td>
</tr>
<tr>
<td>Work-Life Balance (Practices)</td>
<td>161</td>
<td>2.00</td>
<td>5.00</td>
<td>4.32</td>
<td>.63</td>
</tr>
<tr>
<td>Work-Life Balance (Organisational Climate)</td>
<td>161</td>
<td>1.00</td>
<td>5.00</td>
<td>3.39</td>
<td>.84</td>
</tr>
</tbody>
</table>

Outliers of the Job Attractiveness Scores

According to Stielau, Thiart, Clark, Varughese and Ramaboa (2009), it is often useful to check trends in the data in order to determine whether there are any scores that deviate from the normal range (outliers). A useful plot is the residual plot which plots the residuals against the y variable, which in this case, is job attraction. Stielau et al. (2009) suggested that the plot should show a random scatter of points and the spread of the residuals should be approximately the same over the whole range. Figure 7 below provides evidence of reasonably random scatter. The Cook’s Distance plot in Figure 8 also suggests that there are no extreme values outside of the normal range. It further showed that the randomisation was successful and that there were no systematic bias amongst the experimental groups. Therefore the data for job attraction was acceptable for further analyses.
Figure 7. Plot of residuals vs job attraction

Figure 8. Cook’s Distance plot for job attraction
**Analysis of Variance**

A two-way (factorial) Analysis of Variance (ANOVA) was used to determine the effect of financial reward elements on job attractiveness. This technique was used as it examines the individual and joint effect of the categorical independent variables (remuneration, benefits and variable pay) on one dependent variable (job attractiveness). Bhattacherjee (2012) and Simmons, Nelson and Simonsoh (2011) suggested that each experimental condition or group should have least 20 participants in order to conduct a factorial ANOVA. Table 2.7 provides summary of the number of participants for each experiment group.

Table 2.7

*Number of Participants for each Experiment Group (n= 169)*

<table>
<thead>
<tr>
<th>Experiment Group</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>21</td>
</tr>
<tr>
<td>2</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>7</td>
<td>21</td>
</tr>
<tr>
<td>8</td>
<td>22</td>
</tr>
</tbody>
</table>

In this case, experiment group 2 which consists of remuneration above the 75th percentile of the market, benefits present and no variable pay had 19 participants. However, Burns and Burns (2008) suggested that an ANOVA is a relatively robust technique. Moreover 19 participants is a close approximation to 20 participants; therefore it was considered appropriate to use an ANOVA. According to Burn and Burns (2008) statistical tests such as an ANOVA should only be used when normality (or close approximations to it) can be assumed. Therefore tests for normality (Kolmogorov-Smirnov and Shapiro-Wilk tests) and homogeneity of variance (Levene’s tests) were performed in each of the cases below to determine whether it was appropriate to proceed with the ANOVA analysis.
Financial Reward Elements and Job Attractiveness

The Kolmogorov-Smirnov test was used to determine normality for the financial reward elements as the sample size was more than 50 (Burns & Burns, 2008). Table 2.8 showed that the distribution for remuneration above the 75\textsuperscript{th} percentile was not normally distributed as the Kolmogorov-Smirnov test was significant (p< .05). This is also illustrated in Figure 9 where the obtained scores deviated slightly from the normal distribution which is shown as a straight line (Burns & Burns, 2008). Similarly, remuneration that is at or below the 50\textsuperscript{th} percentile of the market was not normally distributed (p< .001). However, Burns and Burns (2008) suggest that an ANOVA is fairly robust for departures from normality since the obtained scores are not extreme (Figure 10). Therefore the data will still be used for further analyses.

Table 2.8

Tests of Normality for Remuneration

<table>
<thead>
<tr>
<th>Remuneration</th>
<th>Kolmogorov-Smirnov\textsuperscript{a}</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Job Attraction</td>
<td>At or below the 50\textsuperscript{th} percentile of the market</td>
<td>.163</td>
</tr>
<tr>
<td></td>
<td>Above the 75\textsuperscript{th} percentile of the market</td>
<td>.119</td>
</tr>
</tbody>
</table>

\textsuperscript{a} Lilliefors Significance Correction
Table 2.9 below revealed that the distributions for benefits present as well as benefits not present were significant ($p < .05$) which indicated that the distributions in the samples differed from a normal distribution. This is illustrated in Figure 11 and Figure

![Figure 9. QQ plot for remuneration above the 75th percentile of the market](image)

![Figure 10. QQ plot for remuneration at or below the 50th percentile of the market](image)
where the obtained scores deviated from the normal distribution line. However, the data will still be used even though it was not normally distributed as it was believed that an ANOVA is robust enough to deal with slight deviations from a normal distribution (Burns & Burns, 2008).

Table 2.9

Tests of Normality for Benefits

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Kolmogorov-Smirnov&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Job attraction</td>
<td>Not Present</td>
<td>.110</td>
</tr>
<tr>
<td></td>
<td>Present</td>
<td>.128</td>
</tr>
</tbody>
</table>

<sup>a</sup> Lilliefors Significance Correction

*Figure 11.* QQ plot for no Benefits as a reward
Table 2.10 below showed that the distributions for having no variable pay was not significant (p= .06) which indicated that the distributions in the samples for variable pay present was normally distributed. This is illustrated in Figure 13 where the obtained scores seemed to fit the normal distribution line. In contrast, having variable pay was not normally distributed (p< .01). This is illustrated in Figure 14 where the obtained scores for variable pay present deviated slightly from the normal distribution line. However, an ANOVA is fairly robust and the deviations are not extreme (Burns & Burns, 2008). Therefore the data will still be used for further analysis.

Table 2.10

Tests of Normality for Variable Pay

<table>
<thead>
<tr>
<th>Variable Pay</th>
<th>Kolmogorov-Smirnov&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Job attraction</td>
<td>Not Present</td>
<td>.096</td>
</tr>
<tr>
<td></td>
<td>Present</td>
<td>.122</td>
</tr>
</tbody>
</table>

<sup>a</sup> Lilliefors Significance Correction
From the above, the normality (or close approximations to it) assumption for the financial reward elements (remuneration, benefits and variable pay) were satisfied. In cases where it was not satisfied, it was believed that an ANOVA was robust enough to deal with deviations from normality. Therefore Levene’s test of homogeneity was performed to determine whether the second assumption of an ANOVA was satisfied.

![Figure 13. QQ plot for no Variable Pay as a reward](image)

**Figure 13.** QQ plot for no Variable Pay as a reward

![Figure 14. QQ plot for having Variable Pay as a reward](image)

**Figure 14.** QQ plot for having Variable Pay as a reward

From the above, the normality (or close approximations to it) assumption for the financial reward elements (remuneration, benefits and variable pay) were satisfied. In cases where it was not satisfied, it was believed that an ANOVA was robust enough to deal with deviations from normality. Therefore Levene’s test of homogeneity was performed to determine whether the second assumption of an ANOVA was satisfied.
The Levene’s Test was not significant \( (F_{7, 161} = 1.25, p = .28) \) which showed that the homogeneity of variance assumption for the ANOVA was supported. It was thus appropriate to conduct a factorial ANOVA. The results of the ANOVA are illustrated in Table 2.11 below, which revealed that there were main effects for remuneration \( (F_1 = 109.56, p< .001, \text{partial } \varepsilon^2 = .41) \), benefits \( (F_1 = 16.46, p< .001, \text{partial } \varepsilon^2 = .09) \) and variable pay \( (F_1 = 6.40, p< .001, \text{partial } \varepsilon^2 = .04) \). In addition, the eta squared effect sizes and observed power showed that remuneration had the strongest main effect. Burns and Burns (2008) suggested that measures of effect size complement tests of statistical significance as they provide information about the amount of impact an independent variable has had on the observed effect (dependent variable). Therefore, measures of effect size can be used to rank several independent variables within an experiment as an indication of the relative importance of each variable. As mentioned above, remuneration had the strongest impact on job attractiveness followed by benefits and variable pay respectively. This result supported the hypothesis that financial reward elements (remuneration, benefits and variable pay) have an effect on job attractiveness. The results further suggested that remuneration was considered as more important or attractive than benefits and variable pay.
Interaction Effects

Even though main effects were found for each of the financial reward element, no significant interaction effects were found between remuneration, benefits and variable pay. This was also illustrated in Figures 15 to 19 where the graphed lines are parallel, showing that there is no interaction between the financial reward elements.

Table 2.11
Results of ANOVA showing the Impact of Financial Rewards on Job Attraction

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
<th>Noncent. Parameter</th>
<th>Observed Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>87.812</td>
<td>7</td>
<td>12.545</td>
<td>20.186</td>
<td>.000</td>
<td>.467</td>
<td>141.300</td>
<td>1.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>1473.70</td>
<td>6</td>
<td>1473.70</td>
<td>2371.35</td>
<td>.000</td>
<td>.936</td>
<td>2371.358</td>
<td>1.000</td>
</tr>
<tr>
<td>Remuneration</td>
<td>68.087</td>
<td>1</td>
<td>68.087</td>
<td>109.559</td>
<td>.000</td>
<td>.405</td>
<td>109.559</td>
<td>1.000</td>
</tr>
<tr>
<td>Variable Pay</td>
<td>3.978</td>
<td>1</td>
<td>3.978</td>
<td>6.401</td>
<td>.012</td>
<td>.038</td>
<td>6.401</td>
<td>.711</td>
</tr>
<tr>
<td>Remuneration * Benefits</td>
<td>1.155</td>
<td>1</td>
<td>1.155</td>
<td>1.859</td>
<td>.175</td>
<td>.011</td>
<td>1.859</td>
<td>.273</td>
</tr>
<tr>
<td>Remuneration * Variable Pay</td>
<td>.625</td>
<td>1</td>
<td>.625</td>
<td>1.006</td>
<td>.317</td>
<td>.006</td>
<td>1.006</td>
<td>.169</td>
</tr>
<tr>
<td>Benefits * Variable Pay</td>
<td>.445</td>
<td>1</td>
<td>.445</td>
<td>.716</td>
<td>.399</td>
<td>.004</td>
<td>.716</td>
<td>.134</td>
</tr>
<tr>
<td>Remuneration * Benefits * Variable Pay</td>
<td>1.831</td>
<td>1</td>
<td>1.831</td>
<td>2.947</td>
<td>.088</td>
<td>.018</td>
<td>2.947</td>
<td>.400</td>
</tr>
<tr>
<td>Error</td>
<td>100.055</td>
<td>161</td>
<td>.621</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1676.64</td>
<td>169</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>187.867</td>
<td>168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. R Squared = .467 (Adjusted R Squared = .444)
b. Computed using alpha = .05
Figure 15 below showed that the interaction effect between remuneration and benefits was not significant \((F_1 = 1.86, p = .18, \text{ partial } \varepsilon^2 = .01)\).

Figure 16 below indicated that the interaction effect between remuneration and variable pay was not significant \((F_1 = 1.01, p = .32, \text{ partial } \varepsilon^2 = .01)\).

Figure 15. Interaction between Remuneration and Benefits.

Figure 16. Interaction between Remuneration and Variable Pay
Figure 17 below showed that the interaction between benefits and variable pay was not significant ($F_1 = .72, p = .39$, partial $\epsilon^2 = .00$).

![Figure 17](image1.png)

**Figure 17. Interaction between Benefits and Variable pay**

Lastly, the interaction between remuneration, benefits and variable pay were also not significant ($F_1 = 2.95, p = .09$, partial $\epsilon^2 = .02$). This is illustrated in Figure 18 and Figure 19 below.

![Figure 18](image2.png)

**Figure 18. Interaction between Remuneration, Benefits and no Variable Pay**
Although no significant interaction effects were found between the financial reward elements, Figure 20 showed that a reward package consisting of remuneration that is above the 75\textsuperscript{th} percentile of the market and having benefits present was more attractive than a reward package comprising of remuneration above the 75\textsuperscript{th} percentile of the market but without benefits. In contrast, a reward package consisting of remuneration that is at or below the 50\textsuperscript{th} percentile of the market without any benefits was perceived as the least attractive reward package.

![Figure 19. Interaction between Remuneration, Benefits and having Variable pay](image)

**Figure 19.** Interaction between Remuneration, Benefits and having Variable pay

![Figure 20. Box plot of a reward package consisting of remuneration and benefits](image)

**Figure 20.** Box plot of a reward package consisting of remuneration and benefits
Similarly, a reward package consisting of remuneration that is above the 75\textsuperscript{th} percentile of the market with variable pay was more attractive than having remuneration above the 75\textsuperscript{th} percentile of the market with no variable pay. Remuneration at or below the 50\textsuperscript{th} percentile of the market with no variable pay was the least attractive compared to remuneration at or below the 50\textsuperscript{th} percentile with variable pay present. This is illustrated in Figure 21.

\[\text{Figure 21. Box plot of a reward package consisting of remuneration and variable pay}\]

In terms of benefits and variable pay, Figure 22 below showed that having both of them as a reward package was more attractive than having benefits only. It is worth noting that having only benefits as a reward was equally attractive as having variable pay only.
Financial Rewards, Gender and Job Attractiveness

A factorial ANOVA was conducted to determine the impact of financial reward elements and gender on job attractiveness. Kolmogorov-Smirnov test for normality was conducted to determine whether the scores obtained for gender were normally distributed. Table 2.12 below indicated that the distribution for males was not significant (p= .08), which suggested that the sample for males was normally distributed. This is further illustrated in Figure 23 where the scores for males seemed to fit the normal distribution line. In contrast, the distribution for the female sample was significant (p< .001) which indicated that the female distribution was not normally distributed. However, Figure 24 suggested that there are no extreme deviations from the normal distribution line. In addition, an ANOVA is a fairly robust for departures from normality (Burns & Burns, 2008); therefore the data was still used for further analysis.
Table 2.1

Tests of Normality for Gender

<table>
<thead>
<tr>
<th>What is your gender?</th>
<th>Kolmogorov-Smirnov(^a)</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Male</td>
<td>.101</td>
<td>65</td>
</tr>
<tr>
<td>Female</td>
<td>.149</td>
<td>95</td>
</tr>
</tbody>
</table>

\(^a\) Lilliefors Significance Correction

Figure 23. QQ plot for male distribution

Figure 24. QQ plot for female distribution
The Levene’s Test was not significant \( (F_{15, 144} = .94, p = .52) \) which indicated that the homogeneity of variance assumption for the ANOVA was supported and it was thus appropriate to conduct an ANOVA. The results of the ANOVA are reflected in Table 2.13 which showed that there were main effects for remuneration, benefits and variable pay. However, the main effect for gender was not significant \( (F = .21, p = .64) \). Therefore gender had no significant impact on job attractiveness.

Table 2.13

Results of ANOVA for Financial Reward Elements, Gender and Job Attraction

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
<th>Noncent. Parameter</th>
<th>Observed Power</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>83.813</td>
<td>4</td>
<td>20.953</td>
<td>35.917</td>
<td>.000</td>
<td>.481</td>
<td>143.668</td>
<td>1.00</td>
</tr>
<tr>
<td>Intercept</td>
<td>1329.850</td>
<td>1</td>
<td>1329.850</td>
<td>2279.57</td>
<td>.000</td>
<td>.936</td>
<td>2279.574</td>
<td>1.00</td>
</tr>
<tr>
<td>Remuneration</td>
<td>67.966</td>
<td>1</td>
<td>67.966</td>
<td>116.504</td>
<td>.000</td>
<td>.429</td>
<td>116.504</td>
<td>1.00</td>
</tr>
<tr>
<td>Benefits</td>
<td>8.592</td>
<td>1</td>
<td>8.592</td>
<td>14.728</td>
<td>.000</td>
<td>.087</td>
<td>14.728</td>
<td>.968</td>
</tr>
<tr>
<td>Variable Pay</td>
<td>5.929</td>
<td>1</td>
<td>5.929</td>
<td>10.163</td>
<td>.002</td>
<td>.062</td>
<td>10.163</td>
<td>.887</td>
</tr>
<tr>
<td>Gender</td>
<td>.125</td>
<td>1</td>
<td>.125</td>
<td>.214</td>
<td>.644</td>
<td>.001</td>
<td>.214</td>
<td>.075</td>
</tr>
<tr>
<td>Error</td>
<td>90.423</td>
<td>155</td>
<td>.583</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1571.360</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>174.236</td>
<td>159</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. R Squared = .481 (Adjusted R Squared = .468)

b. Computed using alpha = .05
Financial Rewards, Race and Job Attractiveness

A factorial ANOVA was conducted to determine whether race had an impact on the level of job attractiveness. The Kolmogorov-Smirnov test was used to test for normality for the White racial category as it had more than 50 participants (Burns & Burns, 2008). Table 2.14 below showed that the distribution for the White racial category was significant (p< .05) which suggested that the distribution in the sample differs from a normal distribution (Burns & Burns, 2008). However, the data was still used for analysis as Figure 25 revealed that the obtained scores for the White category had no extreme deviations. In addition, it was believed that an ANOVA is fairly robust for the departures from normality since the obtained scores are not extreme (Burns & Burns, 2008).

Table 2.14
Tests of Normality for Race

<table>
<thead>
<tr>
<th>What is your designated employment group?</th>
<th>Kolmogorov-Smirnova</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Black</td>
<td>.187</td>
<td>29</td>
</tr>
<tr>
<td>White</td>
<td>.104</td>
<td>94</td>
</tr>
<tr>
<td>Coloured</td>
<td>.113</td>
<td>14</td>
</tr>
<tr>
<td>Indian</td>
<td>.129</td>
<td>10</td>
</tr>
<tr>
<td>Prefer not to answer</td>
<td>.267</td>
<td>4</td>
</tr>
</tbody>
</table>

* This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Figure 25. QQ plot for the White racial category
The Shapiro-Wilk’s test for normality was used for the Black, Coloured, Indian and Asian categories as there were less than 50 participants in these racial groups. Table 2.14 also indicated that the distribution for the Black, Coloured, Indian and Asian groups were all normally distributed as the results of the Shapiro-Wilk test were not significant. Overall, the distributions for the racial categories were either normally distributed or the ANOVA was believed to be robust enough to deal with the racial category that was not normally distributed. Consequently, Levene’s Test for homogeneity was performed to determine whether the second assumption for an ANOVA was satisfied.

The Levene’s Test was not significant ($F_{36, 123} = .93, p = .59$) which indicated that that the homogeneity of variance assumption for the ANOVA was supported and it was thus appropriate to conduct an ANOVA. Table 2.15 revealed that there were significant main effects for remuneration, benefits and variable pay. In contrast, there was no significant main effect for race ($F_5 = .13, p = .99$). Therefore race had no significant impact on the perceived attractiveness of the financial reward elements.

Table 2.15
Results of ANOVA for Financial Reward Elements, Race and Job Attraction

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
<th>Noncent. Parameter</th>
<th>Observed Powerb</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>84.082a</td>
<td>8</td>
<td>10.510</td>
<td>17.604</td>
<td>.000</td>
<td>.483</td>
<td>140.829</td>
<td>1.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>537.561</td>
<td>1</td>
<td>537.561</td>
<td>900.363</td>
<td>.000</td>
<td>.856</td>
<td>900.363</td>
<td>1.000</td>
</tr>
<tr>
<td>Remuneration</td>
<td>67.050</td>
<td>1</td>
<td>67.050</td>
<td>112.302</td>
<td>.000</td>
<td>.427</td>
<td>112.302</td>
<td>1.000</td>
</tr>
<tr>
<td>Benefits</td>
<td>7.589</td>
<td>1</td>
<td>7.589</td>
<td>12.711</td>
<td>.000</td>
<td>.078</td>
<td>12.711</td>
<td>.943</td>
</tr>
<tr>
<td>Variable Pay</td>
<td>5.541</td>
<td>1</td>
<td>5.541</td>
<td>9.280</td>
<td>.003</td>
<td>.058</td>
<td>9.280</td>
<td>.857</td>
</tr>
<tr>
<td>Race</td>
<td>.394</td>
<td>5</td>
<td>.079</td>
<td>.132</td>
<td>.985</td>
<td>.004</td>
<td>.660</td>
<td>.080</td>
</tr>
<tr>
<td>Error</td>
<td>90.154</td>
<td>151</td>
<td>.597</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1571.360</td>
<td>160</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>174.236</td>
<td>159</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. R Squared = .483 (Adjusted R Squared = .455)
b. Computed using alpha = .05
Although race had no significant effect on job attractiveness, Figure 26 below showed that participants from different racial categories obtained different job attractiveness scores with black employees having the highest Mean attractiveness score. This suggested that employees from various racial groups have different expectations and perceptions of attractiveness for each financial reward element.

![Box plot of the perceived job attractiveness scores for different racial groups](image)

*Figure 26. Box plot of the perceived job attractiveness scores for different racial groups*

**Financial Rewards, Age and Job Attractiveness**

A factorial ANOVA was conducted to determine whether participants’ age would impact on the perceived attractiveness of a job. The Kolmogorov-Smirnov test was used to determine age distribution as the sample size was more than 50 (Burns & Burns, 2008). Table 2.16 showed that the result of the Kolmogorov-Smirnov test was significant (p< .001) which suggested that the age distribution was not normally distributed. This was confirmed in Figure 27 where the scores deviated from the normal distribution (straight) line. However, Burns and Burns (2008) suggested that an ANOVA is fairly robust to deal with deviations from a normal distribution. As a result, the data was still used for further analysis.
The Levene’s Test was not significant ($F_{7,146} = 1.04$, $p = .40$) which indicated that that the homogeneity of variance assumption for the ANOVA was supported and it was thus appropriate to conduct an ANOVA. The results of the ANOVA are reflected in Table 2.17 which indicated that there were significant effects for the three financial reward elements, but age had no significant effect on perceived job attractiveness ($F_{1} = .18$, $p = .68$). Therefore age had no significant impact on the perceived attractiveness of a job.

Table 2.16

Tests of Normality for Age

<table>
<thead>
<tr>
<th>What is your age?</th>
<th>Kolmogorov-Smirnov$^a$</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>df</td>
</tr>
<tr>
<td>Job attraction</td>
<td>.132</td>
<td>154</td>
</tr>
</tbody>
</table>

$^a$ Lilliefors Significance Correction

Figure 27. QQ plot for age distribution

The Levene’s Test was not significant ($F_{7,146} = 1.04$, $p = .40$) which indicated that that the homogeneity of variance assumption for the ANOVA was supported and it was thus appropriate to conduct an ANOVA. The results of the ANOVA are reflected in Table 2.17 which indicated that there were significant effects for the three financial reward elements, but age had no significant effect on perceived job attractiveness ($F_{1} = .18$, $p = .68$). Therefore age had no significant impact on the perceived attractiveness of a job.
Table 2.17

Results of ANOVA for Financial Reward Elements, Age and Job Attraction

<table>
<thead>
<tr>
<th>Source</th>
<th>Type III Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Partial Eta Squared</th>
<th>Noncent. Parameter</th>
<th>Observed Power^b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corrected Model</td>
<td>74.116^a</td>
<td>4</td>
<td>18.529</td>
<td>31.105</td>
<td>.000</td>
<td>.455</td>
<td>124.419</td>
<td>1.000</td>
</tr>
<tr>
<td>Intercept</td>
<td>326.630</td>
<td>1</td>
<td>326.630</td>
<td>548.31</td>
<td>.000</td>
<td>.786</td>
<td>548.311</td>
<td>1.000</td>
</tr>
<tr>
<td>Remuneration</td>
<td>62.355</td>
<td>1</td>
<td>62.355</td>
<td>104.67</td>
<td>.000</td>
<td>.413</td>
<td>104.675</td>
<td>1.000</td>
</tr>
<tr>
<td>Benefits</td>
<td>7.716</td>
<td>1</td>
<td>7.716</td>
<td>12.953</td>
<td>.000</td>
<td>.080</td>
<td>12.953</td>
<td>.947</td>
</tr>
<tr>
<td>Variable Pay</td>
<td>4.986</td>
<td>1</td>
<td>4.986</td>
<td>8.370</td>
<td>.004</td>
<td>.053</td>
<td>8.370</td>
<td>.820</td>
</tr>
<tr>
<td>Age</td>
<td>.105</td>
<td>1</td>
<td>.105</td>
<td>.176</td>
<td>.676</td>
<td>.001</td>
<td>.176</td>
<td>.070</td>
</tr>
<tr>
<td>Error</td>
<td>88.759</td>
<td>149</td>
<td>.596</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1527.360</td>
<td>154</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corrected Total</td>
<td>162.876</td>
<td>153</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. R Squared = .455 (Adjusted R Squared = .440)

b. Computed using alpha = .05
CHAPTER 5

DISCUSSION

The war for talent is a 21st century reality where organisations compete with one another to hire and retain scarce talent (Aguinis et al., 2012). Knowledge workers are considered as scarce talent because they possess intellectual capital that is critical to organisational success. Globalisation has also lead to larger, more diverse and more mobile workforces which stimulates the war for talent (Tarique & Schuler, 2010). Consequently, organisations are faced with the challenge of having to alter their paradigm about how to attract, motivate and retain the talent needed to ensure competitive advantage and survival (Elegbe, 2010).

The current study focused on the talent attraction aspect of talent management and the objective was to investigate a set of chosen financial reward elements (remuneration, employee benefits and variable pay) to determine whether knowledge workers would perceive them as attractive inducements when considering a job position. The research objective was investigated in two ways; the first used a Total Rewards Model (Questionnaire) to identify which total rewards were considered important to employees when deciding on a job position; the second used an experiment where the financial reward elements were manipulated to determine the effect of financial reward elements on job attractiveness. The results of the study, the limitations and directions for future research, as well as theoretical and practical contributions of the findings will be discussed in this section.

Total Rewards Questionnaire

The Total Rewards Questionnaire identified which dimensions of the Total Rewards Model are considered important to knowledge workers when deciding on a job position. The results of the Total Rewards Questionnaire showed that the five dimensions of the Total Rewards Model, namely: 1) Performance and Recognition; 2)
Work-Life Balance; 3) Learning; 4) Career Advancement; 5) Remuneration and Benefits were almost equally important to knowledge workers. This suggested that knowledge workers value total rewards packages and they are likely to respond favourably to any rewards offered by organisations.

**Financial Reward Elements and Job Attractiveness**

In the current study, the experiment showed that all three financial reward elements (remuneration, employee benefits and variable pay) were important when evaluating the attractiveness of a job position. Furthermore, the financial reward elements did not interact with one another. This means that each financial reward had an independent effect on job attractiveness. A possible explanation is that each financial reward element contributes to economic and personal security. For example, remuneration and variable pay is used to obtain basic needs such as food and clothing while benefits are associated with security needs such as medical aid and insurance. Given the current economic situation where the state is recovering from an economic recession, it is likely that employees value tangible financial rewards in order to fulfil their basic security and economic needs. Figure 28 below reflects the order of importance of the three financial rewards. The impact of these financial rewards will be discussed in further detail below.

![Figure 28. Rank order of importance for financial reward elements](image-url)
**Remuneration and job attractiveness**

The results showed that remuneration had the most impact on job attractiveness and that remuneration above the 75th percentile of the market was more attractive than remuneration at or below the 50th percentile of the market. This finding was consistent with previous studies where Barber and Bretz (2000) found that pay levels influence job attractiveness. In addition, Williams and Dreher (1992) and Werner and Ward (2004) found that higher pay levels were more attractive compared to lower levels of pay as it contributed to outcomes such as greater job acceptance. Cable and Judge (1994) also found that higher pay levels attracted greater quantities of talented employees. Previous studies by Boswell et al. (2003), Jan van Rooy (2010) and Tornikoski (2011) have also found remuneration to be an important attribute to consider when deciding on the attractiveness of a job position.

Possible explanations for this finding can be attributed to the idea that remuneration is a core and defining feature of an exchange relationship within an organisation (Tornikoski, 2011). In other words, remuneration is fundamental to the value and meaning of an employer-employee exchange relationship since it represents employees’ social status in the organisation, as well as the value of their jobs to the organisation (Elegbe, 2010). Therefore it is important to consider the level of pay when deciding whether a job is attractive enough to enter into an exchange relationship.

The social meanings attached to remuneration (money) could also explain the impact of remuneration on job attractiveness. According to Elegbe (2010) and Mitchell and Mickel (1999), people are generally concerned about what remuneration or money can do for them. As a result, individuals attach different meanings and values to money. For example, some individuals may associate remuneration with consumption opportunities and security, while others may associate it with status or achievement (Elegbe, 2010). Social meanings and values are attached to remuneration as it determines one’s social status within their local community. The level or amount of remuneration defines what social privileges people can afford, for example, whether they can rent or buy a house, the type of car they can drive, the schools their children
can attend, and the social clubs they can belong to (Elegbe, 2010). This is supported by Cable and Judge’s (1994) finding that higher pay levels are preferred by employees because it represents corresponding levels of purchasing power. Therefore social meanings of remuneration make remuneration attractive because the higher the level of pay, the more social privileges people can afford and the greater the social status within the local community.

Furthermore, Barber and Bretz (2000) suggested that employees often establish minimum standards for remuneration. This means that employees will evaluate the attractiveness of a job by comparing the remuneration offered by the organisation to the lowest wage the employee is willing to accept, also known as the reservation wage (Barber & Bretz, 2000). Therefore the attractiveness of a job could depend on the minimum standard set by individual employees. In the current study, most participants viewed the higher level of remuneration (above the 75th percentile of the market) as more attractive than the lower level of remuneration (at or below the 50th percentile of the market). This suggested that participants had a high minimum standard (reservation wage) which is plausible as participants in the current study (knowledge workers) may view their remuneration as competitive, or they may have an understanding of how their pay systems work and therefore recognise higher levels of remuneration as more attractive than lower levels of remuneration.

**Benefits and job attractiveness**

The finding that employee benefits significantly impacts on job attractiveness was consistent with previous studies where Williams and Dreher (1992) found that organisations that offered employee benefits were perceived as more attractive since they were able to fill vacant job positions more quickly than organisations that did not offer employee benefits. Kearney (2003) also found that 77% of employees considered benefits to be attractive inducements when deciding whether to accept or reject a job. Similarly, this finding was consistent with the results of the WorldatWork Attraction and Retention survey (2007) which revealed that 95% of the participants rated medical aid as having a moderate or high impact on attraction. With regards to the different types of employee benefits, more than 90% of the participants viewed paid vacation as relatively attractive benefits and 99% of the organisations that
participated in the survey rated medical and pension schemes as having a high impact on employee attraction. Employees also rated benefits that provided economic security such as pension schemes and health insurances as the most important benefit (Kearney, 2003; WorldatWork Attraction and Retention survey, 2007). This was consistent with the result of the current study where having benefits as a reward package (employer contributes 100% of total retirement fund contribution plus highest level of medical cover) was more attractive than having no benefits.

It is plausible that employees would consider having employee benefits as attractive inducements since a large proportion of the South African population do not have access to generous benefits, and there is also a lack of public healthcare and social welfare pensions in South Africa (Pregnolato, 2010). As a result, employees are likely to be attracted to various benefits offered by organisations. Furthermore, given the rising costs of medical premiums and the emphasis on company contributions to retirement funding, it is also possible that employee benefits such as medical cover and pension schemes are effective in attracting employees (Andrew, 2012; Pregnolato, 2010).

Elegbe (2010) provided a real-life example where an organisation offered comparatively lower remuneration packages but it was still perceived as an attractive organisation owing to the generous benefit schemes it offered to its employees. For example, the organisation offered employees financial loan schemes as well as comprehensive healthcare schemes for its employees and their dependents free of charge. A possible explanation for the impact of employee benefits on job attractiveness is that benefits are a form of indirect compensation (Dulebohn et al., 2009). Therefore generous benefit schemes such as those mentioned in the above example essentially provide what high salaries were needed for. It is also possible that employees have a clear understanding of the value that employee benefits can provide. For example, risk benefits (included in retirement funds) are more expensive when purchased individually as benefits offered by organisations are normally discounted on a collective arrangement (Pregnolato, 2010). As a result, benefits offered by organisations would be more cost-effective and therefore more attractive. Lastly,
changing work environments have resulted in employees to be more responsible for their careers. This could have contributed to employees being more aware of the need to be involved in benefit schemes such as pension funds in order to adequately prepare for retirement.

**Variable pay and job attractiveness**

The current study also found that variable pay had a significant impact on job attractiveness and that having variable pay as part of a reward package (A 13th cheque as well as performance bonuses and share options) was more attractive than having no variable pay. This result was consistent with existing literature where Jan van Rooy (2010), Lievens et al. (2001) and the WorldatWork survey (2012) found that job seekers were attracted to recognition in the form of variable pay. According to Amundson (2007) people are social beings with a need to be appreciated and valued by others. Knowledge workers are also typically career oriented and attracted to jobs that offer challenges and which are rewarded accordingly (Holland et al., 2007). Since variable pay is a method of rewarding employees for their superior performance, it is likely that knowledge workers such as employees in the current study will find variable pay to be an attractive inducement.

Another plausible explanation for the finding is that employees could attach symbolic values to variable pay schemes such as annual incentives or cash bonuses. For example, being eligible for bonuses or share options could represent a key step on the career ladder where employees have future opportunities to progress within the organisation. This could be viewed as attractive inducement for knowledge workers who typically value achievement and are highly focused on their careers (Aguinis et al., 2012; Grigoriadis & Bussin, 2007; Sutherland & Jordaan, 2004). Furthermore, variable pay provides an opportunity to supplement an individual’s base salary by earning additional bonuses. Generous variable pay schemes are prevalent in South Africa where some organisations offer variable pay equivalent to one month’s additional salary. For senior management and executives, some organisations offer up incentive bonuses that exceed 80% of annual salary (Labour Research Service, 2010). This is associated with the social meaning of money as discussed above where more
money (remuneration plus cash bonuses) mean that employees have more money, hence higher purchasing power, status or sense of recognition. As a result, variable pay will have an impact on job attractiveness.

Gender, Race, Age and Job Attractiveness
The current study found that gender, race and age did not have significant impacts on job attractiveness. In terms of gender, the results of the study suggested that males and females were equally attracted to the financial reward elements. No literature exists to explain that the level of job attractiveness depends on gender. Since the financial reward elements satisfy basic economic and personal needs, it is likely that they are perceived as attractive to both male and female employees. Even though race did not have a significant impact on job attractiveness, black employees had the highest level of attraction to the financial reward elements compared to the other racial groups. Previous studies of financial rewards that are valued by employees from different racial groups are limited. A possible explanation for the higher level of perceived attractiveness by black employees can be attributed to black employee’s previous lack of access to benefits such as medical care. In addition, black employees generally have extended families who are dependent on their salaries and benefits (Pregnolato, 2010). The impact of the broader family unit may lead black employees to value financial rewards and view them as more attractive inducements than employees from other racial groups.

Lastly, age did not have a significant impact on job attractiveness. There are limited studies concerning the impact of age on job attractiveness. Similar to the results of gender and job attractiveness, it is likely that all employees regardless of age will perceive financial rewards as attractiveness inducements as they satisfy basic economic and personal needs. However, contrary to the findings in the current study, it is also plausible that age could potentially have an impact on job attractiveness as studies by Jan van Rooy (2010) and Pregnolato (2010) found that employees from different age groups value different total rewards. For example, Jan van Rooy (2010) found that older employees (46 to 64 years old) valued remuneration while younger employees (21 to 45 years old) valued variable pay. A possible explanation is that
younger employees are more likely to be in their mid-career stages where they are ambitious and to advance within the organisation. Therefore they are more likely to value performance and recognition and be attracted to jobs that provide variable pay. This suggestion is an area recommended for future research which will be discussed in the section below.

Limitations of the Study and Suggestions for Future Research

Even though the experiment controlled for factors that influenced job attraction (such as employer branding and psychological contract), there were still extraneous variables that could not be controlled for. Therefore a limitation of the study may be confounding variables such as the current economic environment and factors such as job stability. Financial rewards are usually more appealing during periods of economic instability as they satisfy basic needs such as food and security. Therefore the results may be influenced by the effects of recovering from an economic recession. According to Robbins, Odendaal and Roodt (2001), employees are likely to be attracted to rewards that meet basic physical and safety needs above esteem or self-actualisation needs during times of economic instability or recovery. It is likely that the results would differ if further research was to be conducted during a period of greater economic stability.

Similarly, another confounding variable could be the organisational climate. Since a non-random (convenience) sampling method was used, it was not possible to determine the economic status and climate of the organisations each participant belonged to. For example, some organisations may have been experiencing organisational restructuring such as retrenchment or a merger. These activities may influence factors such as job security which could have contributed to employees being more attracted to specific financial rewards during this period. Therefore it is recommended that future research adopt a systematic random sampling method where organisational climate of the sample to be drawn is known as it could produce different responses.
Another limitation is the different levels of the financial rewards. This mainly pertains to the employee benefits reward as there is a wide range of benefits, including but not limited to retirement funds, medical cover, financial loans, insurance and paid vacation. The current study only included retirement funds and medical cover as they are the most common benefits offered by organisations. It is possible that different responses would have been obtained had other benefits such as financial loans and paid vacation be included in the benefits package as employees have diverse preferences. Therefore it is recommended that a variety of benefits be included in future research.

The current study explored the main effects as well as the interaction effects of the financial reward elements and job attraction. However, the study did not consider the perceived attractiveness of the financial reward elements across various demographic groups. According to Bussin (2002), employees from different demographic groups have different expectations and value different rewards. As a result, organisations need to understand the unique demands of different demographic groups in order to effectively attract the desired group of employees. Cable and Judge (1994) and Lengnick-Hall and Bereman (1994) add that organisations can increase the attractiveness of jobs by understanding the preferences of their ideal candidates. Therefore it is recommended that future research focus on employees from different demographic groups and to identify whether they are attracted to different financial reward elements.

**Theoretical Contribution**

Theoretically this study expanded on previous research conducted by Pregnolato (2010) and it has made a number of contributions in the attraction and total rewards literature. Firstly, there is limited empirical social science research in South Africa which highlights a set of chosen financial reward elements (remuneration, employee benefits and variable pay) that will attract talented employees. Few researchers have also focused on the financial reward elements only as researchers such as Jan van Rooy (2010) and Pregnolato (2010) focused on the financial as well as no-financial aspects of the Total Rewards Model. The current study found that the financial reward
elements deemed important for talent retention (Pregnolato, 2010) were also perceived as attractive inducements for talent attraction purposes. This suggested that financial rewards are important strategic resources that can be used in the area of talent management.

In addition, the use of Full-factorial experiments is limited in the domain of Organisational Psychology. Therefore another contribution lies in the method that was used to determine whether various financial reward elements are attractive to knowledge workers. Using an experimental approach adds to the body of social science research as no prior studies have identified the attractiveness of financial reward elements in a controlled environment, and no causal relationships between financial rewards and the level of perceived attractiveness of a job position have been explored.

**Practical Contributions**

The findings of the current study make a practical contribution to organisations concerned with talent scarcity and are searching for effective methods to attract talented candidates. According to Elegbe (2010) what employers consider to be attractive inducements may not be attractive to potential employees. Consequently, the findings of the current study provide organisations with an indication of employees’ perceived level of attractiveness of the three financial reward elements. Organisations could then consider offering these financial rewards when developing their attraction strategies. In addition, organisations may also have greater insight into whether their current attraction strategies are aligned with the financial reward preferences of employees in general.

**Conclusion**

Winning the war for talent is about timeless principles of attracting, motivating and retaining talented employees. The current study focused on attracting talent and the aim was to determine whether financial reward elements including remuneration, benefits and variable pay, are important for attracting talented employees. The current
study revealed that all three financial reward elements influenced job attractiveness, with remuneration having the most impact on job attractiveness. In addition, having high remuneration (remuneration above the 75th percentile of the market), benefits (employer contributes 100% of total retirement fund contribution plus highest level of medical cover) and variable pay (13th cheque as well as a performance bonus and share options) was more attractive than having low remuneration (remuneration that is at or below the 50th percentile of the market) and no benefits and variable pay. The study further showed that gender, race and age had no effect on the perceived attractiveness of the financial reward elements.

Overall, the study showed that remuneration, benefits and variable pay are important financial reward elements that attract talented (knowledge) workers. Talented employees create differential value that is critical to organisational success. As noted by Bussin (2003, p. 40) “… without the right calibre of people it is difficult to achieve the desired business performance.” Therefore it is essential to develop compelling employee value propositions that include attractive levels of financial rewards in order to attract the best talent.
REFERENCES


APPENDIX A

JOB OPPORTUNITY

Co XYZ requires the services of an energetic and innovative individual to join our winning team.

In return for your services, we offer:

- A guaranteed package targeting above the 75th percentile of the market
- A 13th cheque, as well as a performance bonus and share options
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Interested candidates should send their CV and a cover letter motivating why they would be the ideal candidate for this job opportunity. Furthermore, provide the names of three referees and their contact details. The closing date for applications is 31 October 2013. For further enquiries please contact Anton Schlechter at 021 650 2460.

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<td>3. This job is attractive to me for employment.</td>
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<tr>
<td>4. I am interested in learning more about this job.</td>
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<tr>
<td>5. This job is very appealing to me.</td>
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APPENDIX B

Total Rewards Questionnaire

Kindly complete all the questions below by checking one response per item: The following response scale should be used for all items.

|-------------------------|-----------------|-------------|--------------|-------------------|

How important do you consider each of the following factors to be when deciding on a job position?

1. Recognition provided to you by your employer e.g. Financial recognition such as a cash, paid travel

2. The extent to which your employer respects differences in race, gender and age

3. The opportunities offered to you by your company for learning and career development outside of your current job e.g. sabbaticals, coaching, mentoring, leadership training

4. The opportunities offered to you by your company for career advancement e.g. job advancement/promotions, internships, and apprenticeships with experts, internal job posting

5. The quality of performance feedback and performance discussions you have had with your supervisor

6. The extent to which you believe your contribution and work is valued

7. The level of challenge and interest you derive from your job
8. The extent to which you are provided with challenging targets

9. Having a manageable workload and reasonable work pace

10. Having supportive and like–minded colleagues

11. The opportunities offered to you by your company for training within your current job e.g. skills training

12. The extent to which your employer supports a balanced lifestyle (between your work and personal life)

13. Your employer’s provision of work/life programmes such as flexible working arrangements, flexible hours

14. Having social friendships at work

15. The degree to which your employer encourages and organises team building or other social networking activities amongst employees

16. Your employer’s provision of employee health and wellness programmes e.g. Employee Assistance Programmes, counselling services, fitness centres

17. The provision of a competitive pay package (i.e. basic salary plus benefits, allowances or variable pay)

18. Your employer’s provision of medical aid, retirement and pension benefits

19. Your employer’s provision of incentive bonuses/variable pay

20. The provision of recognition via non-financial means e.g. certificates of recognition