**WORKING PAPER**

Satisfaction with Total Rewards, Pay, and Perceived Distributive Justice

- Age Related Differences

**Aim.** The purpose of this study is to describe differences between age groups in satisfaction with total rewards, pay, and perceived distributive justice.

**Background.** The base of this study is in the change of the structure of the labor force. Often stated is that working life has to be developed so that the ageing workforce could continue until to normal retirement (pension) age. (E.g. Feinsod and Davenport, 2006; Camerino et al. 2006; Sihto 2005.) In summer 2007 lack of workforce in the public sector healthcare organizations was again- in headlines in Finland. This time news reported that hospitals were troubled to found nurses for the holiday season. In Finland the lack of workforce -both in the public and private sector organizations- is a problem already and it worsening in the following years because the baby-boomers retire. (e.g. Juuti 2001, Forss 2001, Tuominen (eds.) 2004, Pelkonen 2005, De Lange et al. 2006, 21.)

Nygrén and Lehmonen (2007, 1) argue in their recently published study, that the retiring baby-boomers are taking a large amount of empirical knowledge with them, and that the aim of the Finnish pension legislation reform introduced in 2005 is to persuade older workers to stay in working life longer by providing them with i.e. higher pensions. Finns can now work until the age of 68, but they can also retire at the age of 62, if they wish so. However, the pension will be lower in that case. In addition to the pension legislation reform, organizations need to create something more for the older workers to keep them in the working life.

If the organizations will have to rely more and more on the work of older workers, what they can do? More and more organizations pay attention to their management of total rewards systems. Generally speaking, in organizations, rewarding constitutes of all those things people receive as compensation of their work (e.g. The National Programme for Ageing Workforce- follow-up memo 2001, 17; Hakonen et.al. 2005, 13.) As a Heneman (2007, 3) argue; total rewards include compensation (e.g. salaries, bonuses), benefits (e.g. healthcare) and personal growth (e.g. on-the-job education, possibilities to develop, feedback about the job). In Finland, great numbers of the public sector organizations have developed new pay systems, especially job-based and person-based pay system.

Reward systems have a role in creating work attitudes and behavior. Pay satisfaction consequences are widely studied. Pay satisfaction can have effect e.g. on job attitudes such as organizational commitment and behavior such as withdrawal. (Heneman and Judge 2000.)

The purpose of this study is to describe differences between age groups in satisfaction with total rewards, pay and perceived distributive justice. Research questions were: 1. where there differences between age groups in satisfaction with total rewards and pay? 2. What about perceived distributive justice: where there any differences between age groups?

**Methods.** The data of this paper was gathered in one public sector healthcare organization. The data was collected in spring 2007 with a questionnaire that had statements of total rewards satisfaction, pay satisfaction and perceived distributive justice. The study covered a sample of employees.

Respondents were mostly nurses and other healthcare professionals. The response rate was 34 % (239 respondents) and 228 respondents who had given their year of birth were selected for
statistical analysis. Frequently, and also in this paper, persons 45+ are called the *ageing* employees and 55+ employees are called the *aged* employees. In this study we coded respondents to 4 groups. Respondents under 35, 35+-group, 45+ -group (as an *ageing*-group) and respondents over 55 -group (as an *aged*-group).

We measured total rewards satisfaction with 12 items, pay satisfaction with 9 items and distributive justice with 4 items. The response scale ranged from strongly disagree (1) to strongly agree (5). The data was analyzed with SPSS for Windows 12-program. Differences between age groups were tested with Variance analysis and test of Sheffe.

**Results.** A significant difference between age groups was found in total rewards satisfaction, pay satisfaction and perceived distributive justice.

**Total Rewards Satisfaction:** All the age groups were very dissatisfied with the pay levels (mean 2,01) but, the aged employees -group (age 55+) was less dissatisfied than others to the:

- job-based-pay component (mean55+ = 2,86 vs. mean35+ = 2,09, p< 0,05 and mean55+ = 2,86 vs. mean45+ = 2,11, p< 0,05)
- person-based pay component (mean55+ = 2,82 vs. mean35+ = 2,16, p< 0,05 and mean55+ = 2,82 vs. mean45+ = 2,12, p< 0,05).

We found no differences in groups’ satisfaction to result oriented pay system, recognition and benefits. Also, there were no statistically significant differences between age groups in immaterial rewarding like: on-the-job education, possibilities to develop, feedback about the job, stability of the employment, arrangements of working hours or possibilities to take part and influence to the decision-making process or giving new ideas of motivation.

**Pay Satisfaction**

- **Sum:** pay satisfaction (mean55+ =2,55 vs. mean35+ = 2,18, p<0,05 and mean55+ =2,55 vs. mean45+ = 2,12, p<0,05),

**Perceived Distributive Justice**

- statement: I’m fairly rewarded considering the responsibilities that I have (mean55+ =2,57 vs. mean35+ = 1,76, p<0,01 and mean55+ =2,57 vs. mean45+ = 1,84, p<0,01),
- statement: I’m fairly rewarded in view of the amount the experience I have (mean55+ =2,43 vs. mean35+ = 1,75, p<0,05),
- statement: I’m fairly rewarded for the amount of effort that I put forth (mean55+ =2,43 vs. mean45+ = 1,80, p<0,05)
- statement: I’m fairly rewarded for the stresses and strains of my job (mean55+ = 2,30 vs. mean35+ = 1,71, p<0,05)

**Summary and Conclusion.** The aged respondents were more satisfied than the younger ones with their total rewards and their pay. The aged respondents perceived their pay fairer than younger age groups; this is quite interesting given the fact that actual pay levels were almost same in all age groups.

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1 There weren’t statistical differences between age groups in pay levels. Median salary was 1900 €.
2 Statements are from Heneman, Schwab (1985)
3 Including statements: My current salary, My overall level of pay, How my raises are determined, Influence my supervisor has on my pay, Consistency of the company’s pay policies, Information the company gives about pay issues on concern to me, The company’s pay structure, Differences in pay among jobs in the company The raises I have typically received in the past.
4 Statements are from Price, Mueller (1986)
The data reveals that the oldest age group, 55+, was somewhat more satisfied to their job-based and person-based pay components when compared to other age groups. On the other hand, there were no differences in groups’ satisfaction to result oriented pay system, recognition and benefits. There were no statistically significant differences between age groups in immaterial rewarding. Also there were no differences what comes to satisfaction to on-the-job education, possibilities to develop, feedback about the job, stability of the employment, arrangements of working hours or possibilities to take part and influence to the decision-making process or giving new ideas of motivation.

Previous research results lets us assume that factors motivating ageing and aged workforce are e.g. flexibility of working hours and possibilities to take part and influence in the decision-making process. However, this was not the case with this data.

When studied how respondents felt about the fairness of rewarding, it can be stated that opinions of all age groups were quite critical. However there were statistically significant or almost significant differences. Mainly the oldest age group, aged, felt the rewarding most equitable. Most dissatisfied with the rewarding were age groups 35+ and 45+, the latter being the most critical group. They felt that the interrelationship between rewards and responsibility, working experience, work contribution and work strain was not fair.

This leads us to consider how to motivate age groups 35+ and 45+. Those groups have been working for quite some time but still have decades to go. The follow-up report of The National Programme for Ageing Workforce (2001, 21xvi) stated that when the managerial atmosphere and the transition of working life was studied, the age group of 45+ was accordingly more critical than other age groups. Public discussion is directed to aged employees as a challenge, but our results suggest that also other age groups need more attention.

References:

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ii Donatello Camerino et al. 2006: Low-perceived work ability, ageing and intention to leave nursing: a comparison among 10 European countries. Nursing and Healthcare Management and policy. Accepted for publication 10 may 2006. Blackwell Publishing Ltd. Page 543.