ACTUAL PAY, POSITIVE AFFECT (PA), AND PAY SATISFACTION: TEST OF SIGNAL SENSITIVITY PERSPECTIVE

Muhammad Zaky
Sunan Gunung Djati State Islamic University
Hani Handoko
Universitas Gadjah Mada
Zakiyulfiki Ali
Sunan Gunung Djati State Islamic University

Abstract: This research aims to determine the effect of actual pay level, positive affect (PA) and multi-dimensional pay satisfaction. The data is collected from questionnaires distributed to 207 postgraduate students in Jakarta and Yogyakarta. Non-probability sampling with Purposive sampling is taken as a sampling technique. Hierarchical regressions analysis used for hypothesis testing. The finding shows actual pay level has the positive effect with each pay satisfaction dimension. Positive affect has the positive effect with each pay satisfaction dimension. More importantly, data show that positive affect (PA) interact with actual pay level in explaining three pay satisfaction dimensions, they are satisfied with pay level, satisfaction with benefit, and satisfaction with structure/administration. The finding also shows that positive affect (PA) does not moderate the relation of actual pay level and pay satisfaction on satisfaction with pay raise dimension. Discussion, limitations, a practical and theoretical implication for further researches are offered.

Keywords: Actual pay level, Positive affect (PA), Pay satisfaction, Hierarchical Regressions Analysis

Pay is an important part of the reward system. From a cost point of view, salary is important. Payroll costs are 10 to 50 percent even in some cases. It reaches 90 percent of the organization's operational costs (Shaw, et al., 1999). For employees, salaries play an important role in their lives. Directly or indirectly, the salary received will significantly determine the social status, self-esteem, and ability of employees to meet their needs (Bergmannand Scarpello, 2001).

Payroll systems are aimed at attracting and retaining employees who not only possess the necessary knowledge and skills but also who have an interest and willingness to achieve organizational goals (Henderson, 1994). Furthermore, the payroll system designed by the organization aims to avoid any dissatisfaction (work dissatisfaction). Dissatisfaction with the payroll' system will lead to decreased performance, increaseabsenteeism, and job dissatisfaction (Weiner, 1980). Therefore, organizations need to understand the factors that determine the individual pay satisfactionto provide posi-

tive consequences for organizations and individuals in it.

Respecting the important role of salary for both the organization and for the employees, the understanding of the causes of pay satisfaction (determinants) needs attention and needs to be studied in more depth. At least two reasons are underlying the importance of research concerning pay satisfaction. First, salary is a significant expenditure element in the organization. Secondly, salary is the nominal value or the result that employees get from their work (Shaw, et al., 1999).

Pay satisfaction is defined as the appropriateness between individual perceptions regarding the salaries paid to them and the individual perceptions of the amount of salary they should receive (Shapiro and Wahba, 1978). If the individual feels what is perceived as pays according to the salary he should receive, then the individual is satisfied with their salary (Weiner, 1980). Conversely, dissatisfaction occurs when the amount of salary received by a person is perceived lower than the perception of the amount of salary that should be received (Weiner, 1980).

According to Haneman and Schwab (1985), individual pay satisfaction consists of four separate dimensions. First, it is the dimension of satisfaction with pay levels, referring to the satisfaction of the actual pay levels received today. The second is the satisfaction with benefit dimension, referring to the satisfaction of indirect salary received by individuals in the form of payments for time not working, insurance, pensions, and various services. Third, is the dimension of satisfaction with pay raise, referring to the satisfaction of pay increase. The fourthis the dimension of satisfaction with structure/administration which refers to satisfaction with the administration of salary or hierarchical relationship created between the average salary for different jobs within the organization.

Previous researches that address the issue of pay satisfaction, in general, can be classified into three main approaches. First, it is a situational factor approach. This approach focuses on organizational situations, such as pay levels and organizational design that is considered as the main cause of pay satisfaction (Davis-Blake and Pfeffer, 1989). Intuitively, we can easily guess that the higher the pay rate the individual receives, the higher the individual's satisfaction with the salary is. Some of the empirical research resultsthat support these intuitions show that individual real pay rates today have a positive influence on the satisfaction of their salaries (Lawler and Porter, 1966, Ronan and Organt, 1973,and Motowidlo, 1982).

Second, it is a dispositional approach. This approach focuses on the characteristics of personality as the main cause of pay satisfaction. According to Watson (1988), in individuals, there are two personality characteristics called positive affect (PA) and negative affect (NA). Positive affect (PA) is an individual subjective image of rewards, whereas negative affect (NA) is an individual subjective picture of punishment (Shaw, et al., 1999). In the context of pay satisfaction, the dispositional approach sees that the individual pay satisfaction is largely determined by the individual subjective image of the salary they receive. In other words, pay satisfaction is determined by the level of positive affect (PA) that is owned by the individual.

Individuals with a high level of positive affect (PA) will be more satisfied with the salary they receive. This is because individuals with a high level of positive affect (PA) can respond more positively to the rewards they receive. Conversely, individuals with a low level of positive affect (PA) may be more difficult to satisfy with the salary they receive. This happens because individuals with a low level of positive affect (PA) are not able to think by using positive emotions and have a depressive tendency towards salary received. The results of the previous research show that positive affect (PA) has a significantly positive effect on pay satisfaction (Shaw, et al., 1999).

The divergence of views between situational and dispositional approaches in explaining the causes of pay satisfaction leads to some controversy among researchers. This controversy leads researchers to a third approach, the interactional approach. This approach states that the individual pay satisfaction within the organization is influenced by the interaction between situational factors and dispositional

factors (House, et al., 1996). According to George (1992), situational factors interact with dispositional factors in explaining individual pay satisfaction. This interactional approach is considered to be more useful for understanding the phenomenon of individual pay satisfaction within the organization. **Hypothesis one: Pay level (actual pay level) has a positive effect on each dimension of pay satisfaction**

The interaction of situational factors and the dispositional factors in explaining individual pay satisfaction can be tested from the perspective of the signal sensitivity perspective. This perspective states that in general, the individual has a different tendency to respond to the award. Differences in individual responses to rewards are based on differences in personality characteristics that influence the emergence of individual emotional differences in perceiving the rewards they receive.

Individuals with a high level of positive affect (PA) will respond more positively to the pay level received. This positive response is based on a greater positive emotion in responding to a situation at hand. In contrast, individuals with a low level of positive affect (PA) do not respond positively to the pay levels received. This response arises from the presence of lower positive emotion in responding to the award signal.

The higher the level of individuals' positive affect (PA) is, the greater the individuals' response to the pay level will be. Thus, it reinforces the positive effect of pay level on the satisfaction of salary.

Conversely, the lower the individuals' positive affect (PA), the lower the individuals' response to the pay level will be. Thus, it weakens the positive effect of pay levels on pay satisfaction. **Hypothesis two: Positive affect (PA) has a positive effect on each dimension of pay satisfaction**

Previous research that examines the causes of individual pay satisfaction in the signal sensitivity perspective has not been done at various times. Regarding the importance of understanding pay satisfaction within an organization, it is important to examine the cause of pay satisfaction more integrated by examining the interaction role of situational and dispositional factors. Testing an interactional approach using the signal sensitivity perspective is expected to contribute deeply to understanding the causes of pay satisfaction within the organization. **Hypothesis three: Positive affect (PA) moderates the effect of pay level (actual pay level satisfaction) on each dimension of pay satisfaction**

This study focuses on three forms of testing. First, it examines the influence of situational factors the pay level on pay satisfaction. Second, it examines the influence of dispositional factorspositive affect (PA) on pay satisfaction. Third, it examines the effect of interaction between situational factorspay level and dispositional factorwhere positiveaffect explains pay satisfaction through the perspective of sensitivity perspective (signal sensitivity perspective).
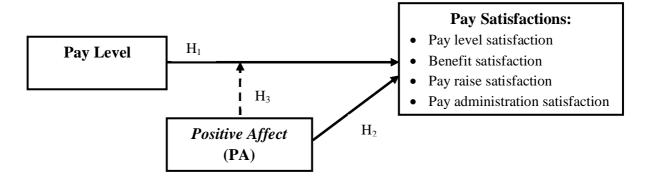

Figure 1   Research model

METHOD

Types and Data Sources

This study used a survey design, with a questionnaire instrument. The questionnaires distributed to employees who were permanently working on various job backgrounds in various industries. The employees were master degree students at two universities located in Jakarta and Yogyakarta. The consideration of selecting samples from different backgrounds and industries was done with the aim of obtaining a better generalization level of research results.

Sampling Method

Sampling method in this research was non probability sampling with purposive sampling technique. Sample selection criteria in this study were the students of Master of Science (M.Si), Masterof Management Program (MM), and Master of Accounting (MAKSI) of Gadjah Mada University, and Master of Management of Islamic University of Indonesia. They had a permanent job and a monthly salary.

Variable Measurement

Pay satisfaction consisted of four separate dimensions, namely the dimensionsof pay level satisfaction, the dimension of benefits satisfaction, the dimension of pay raise satisfaction, and the dimensionof pay structure/administrationsatisfaction. Pay satisfaction was measured using a pay satisfaction questionnaire (PSQ), developed by Haneman and Schwab (1985), using 5 rating scales ranging from 1 (very dissatisfied) to 5 (very satisfied). Another variable (The current real pay rate)was measured categorically by using six levels of salary. The real salary level categorization is as follows:(1) <999.000; (2) 1,000,000 - 1,999,000; (3) 2,000,000 - 2,999,000; (4) 3,000,000 - 3,999,000; (5) 4,000,000 - 4,999,000; (6)> 5,000,000 (in Rupiah). The other variable, Positive affect (PA).Was measured using Positive and Negative Affect Schedule (PANAS) covering ten items representing positive affect (PA) dimension (Watson, et al., 1988). The assessment format was based on five assessment scales that range from 1 (not at all) to 5 (over time).

Data analyses

The validity testing of this research used factor confirmatory factor analysis. Validity testing with factor analysis test was intended to ensure each question item would be classified on the variables that have been specified. According to Hair, et al., (1998), an item may be considered valid if it has a factor loading value = 0.3. It is much better if an item has a factor loading value of 0.4, whereas if an item has a factor value of loading = 0.5, then the item is valid significantly while the reliability testing of research instrument was measured by using Cronbach Alpha. The rule of thumb used for the Cronbach Alpha value must be greater than 0.7, although a value of 0.6 is still acceptable (Hair, et al., 1989).

Hypothesis testing in this study used hierarchical regression analysis, from Baron and Kenny's procedure (1986). The dependent variable in this study was pay satisfaction which consisted of four separate dimensions. Therefore, hierarchical regression analysis testing in this study includedfour testing models. The model I tested the positive effect of pay level on the dimension of satisfaction of salary level moderated by a positive effect. Model II tested the positive effect of the pay level on the dimension of satisfaction allowances moderated by the positive effect. Model III examined the positive effect of salary level on the dimensions of pay raise satisfaction moderated by a positive effect. Model IV tested the positive effect of salary level on the dimension of satisfaction of pay administration moderated by a positive effect.

The test of each model consisted of three testing steps. The first steptested the direct effect of the independent variable (pay level) on the dependent variable (pay satisfaction). The second step tested the direct effect of the moderating variable (positive effect) on the dependent variable (pay satisfaction). The third step testedthe effect of interaction (pay level X positive affect) on pay satisfaction.

RESULTS

Results of Questionnaire

The results of questionnaires distribution in this study can be seen in table 1.

Validity Test Results

The result of the validity test in this research is presented in table 2.

Table 1   Results of Questionnaire

Information	Total
Distributed questionnaires	233
Returned questionnaires	218
Response Rate	93,6%
Unreturned questionnaires	11
Returned questionnaires but not filled	4
Returned questionnaires with incomplete filling	11
Questionnaires that deserved to be analyzed	207

Table 2   Validity Test Results

Variable	Item	1	2	3	4	5	Note
Positive Affect(PA)	PA1	0,614					Valid
	PA2	0,689					Valid
	PA3	0,694					Valid
	PA4	0,630					Valid
	PA5	0,614					Valid
	PA6	0,660					Valid
	PA7	0,605					Valid
	PA8	0,658					Valid
	PA9	0,686					Valid
	PA10	0,625					Valid
Pay Level Satisfaction	PLS1			0,769			Valid
	PLS2			0,757			Valid
	PLS3			0,747			Valid
	PLS4			0,774			Valid
Benefit Satisfaction	PBS1				0,725		Valid
	PBS2				0,839		Valid
	PBS3				0,647		Valid
	PBS4				0,758		Valid
Pay Raise Satisfaction	PRS1					0,807	Valid
	PRS2					0,889	Valid
	PRS3					0,321	Not Valid
	PRS4					0,818	Valid
Pay Administration Satisfaction	PAS1		0,672				Valid
	PAS2		0,679				Valid
	PAS3		0,314				Not Valid
	PAS4		0,764				Valid
	PAS5		0,770				Valid
	PAS6		0,791				Valid

In general, the results of the validity test on the research instrument showed that all items were valid and classified into their respective constructs. There were, however, two items that were invalid or fallen off because they did not have a factor loading value at all, namelydimension item of payraise satisfaction three (PRS3) and item dimension of administration satisfaction three (PAS3). The invalid or fallen item was then not used in subsequent analysis.

Reliability Test Results

Reliability test results in this study are presented in table 3.

Table 3   Reliability Test Results

Variable/Dimension	Cronbach Alpha	Note
Positive Affect (PA)	0,852	Reliable
Pay level satisfaction	0,836	Reliable
Benefit satisfaction	0,812	Reliable
Pay raise satisfaction	0,842	Reliable
Pay administration satisfaction	0,808	Reliable

Reliability test results using Cronbach alpha showed that each construct in this research had good reliability ($\alpha > 0,60$). This showed that the internal consistency of the question items in the questionnaire was acceptable.

Hypothesis Test Results

Hypothesis test results in this study are shown in table 4.

Table 4   Hypothesis Test Result with Regression Moderation Analysis

Independent Variable	Model I Pay Level Satisfaction			Model II Benefit Satisfaction			Model III Pay Raise Satisfaction			Model IV Pay Administration Satisfaction		
	β	t	p	β	t	p	β	t	p	β	t	p
Step I: Pay Level	0,240	3,382	0,001	0,335	4,878	0,000	0,280	3,991	0,000	0,224	3,182	0,002
R^2 0,056	0,111	0,073	0,064									
Δ R^2	-	-	-	-								
Step II: Positive Affect	0,233	3,315	0,001	0,329	4,823	0,000	0,273	3,929	0,000	0,213	3,117	0,002
R^2 0,078	0,131	0,100	0,127									
Δ R^2	**0,022**	**0,020**	**0,027**	**0,081**								
Step III: Interaction	-1,477	-2,079	0,039	-1,451	-2,104	0,037	0,760	1,074	0,284	-1,517	-2,197	0,029
R^2 0,098	0,149	0,105	0,148									
Δ R^2	**0,020**	**0,018**	**0,005**	**0,021**								

Step I: Effect of Salary Level on Pay Satisfaction

Table 4 shows that pay level has a positive effect on the dimension of pay levelsatisfaction (ß = 0.240; t = 3.382; p <0.05).Pay level has a positive effect on the dimensions of benefits satisfaction (ß = 0.335; t = 4.878; p <0.05). In addition, pay level has a positive effect on the dimensions of satisfac-

tion of pay raise (ß = 0,280; t = 3,991; p <0,05). Finally, pay level has a positive effect on the dimensions of administration satisfaction (ß = 0.224; t = 3.182; p <0.05).

In general, the result of moderation regression analysis in this study shows that pay level has a positive effect on all of the pay satisfaction dimensions which are the dimension of pay level satisfaction, the dimension of benefit satisfaction, the dimension of pay raise satisfaction, and the dimension of pay administration satisfaction. This shows that **hypothesis 1 is supported**.

Step II: Effect of Positive Affect (PA) on Pay Satisfaction

Table 4 shows that Positive affect (PA) has a positive effect on the dimension of pay level satisfaction (ß = 0,150; t = 2,209; p <0,05). When the positive affect variable is included in the moderation regression analysis (the second step), the addition of R^2 is 0.022 (from R^2 = 0.056 to R^2 = 0.078). This shows that positive affect (PA) can give 2.2% additional variance explanation to the dimension of pay level satisfaction exceeding pay level of 5.6%.

Positive affect (PA) has a positive effect on the dimensions of benefit satisfaction (ß = 0.142; t = 2.158; p <0.05). When positive affect (PA) variable is included in the regression analysis (the second step), there is an addition of R^2 of 0.020 (from R^2 = 0.111 to R^2 = 0.131). This shows that positive affect (PA) can give an additional variance of 2.0% to the dimension of benefit satisfaction exceeding the pay level of 11.1%.

Furthermore, positive affect (PA) has a positive effect on the dimensions of pay raise satisfaction (ß = 0,165; t = 2,473; p <0,05). When positive affect (PA) variable is included in the regression analysis (second step), there is addition of R^2 of 0.027 (from R^2 = 0.073 to R^2 = 0.100). This shows that positive affect (PA) can give an additional variance explanation of 2.7% to the satisfaction dimension of the salary level exceeding the pay level of 7.3%.

Finally, the results showed that positive affect (PA) had a positive effect on administration satisfaction dimension (ß = 0.252; t = 3.830; p <0.05).

When positive affect (PA) variable is included in the regression analysis (the second step), there is an addition of R^2 of 0.081 (from R^2 = 0.064 to R^2 = 0.127). This shows that positive affect (PA) can give an additional explanation of the variance of 8.1% to pay administration satisfaction dimension exceeding pay level of 6.4%.

In general, the result of moderate regression analysis in this study shows that positive influence (PA) has a positive effect on all dimensions of pay satisfaction, that is the dimension of pay level satisfaction, the dimension of benefit satisfaction, the dimension of pay raise satisfaction, and dimension of pay administration satisfaction. This shows that **hypothesis 2 is supported**.

Step III: The Effect of Interaction and Positive Affect (PA) on Pay Satisfaction

Table 4 shows that the positive affect (PA) moderates the effect of the pay level on the dimension of pay level satisfaction (ß = -1.477; t = -2.079; p <0.05). When the modifying variable (positive affect X pay level) is included in the regression analysis (third step), there is an addition of R^2 of 0.020 (from R^2 = 0.078 to R^2 = 0.098). This indicates that the moderating variable can give an additional variance explanation of 2.0% to the satisfaction dimension of salary level exceeding the positive affect (PA) of 7.8%.

Positive affect (PA) moderates the effect of the pay level on the dimensions of benefits satisfaction (ß = -1,451; t = -2.104; p <0.05). When the modifying variable (positive affect X pay level) is included in the regression analysis (third step), there is an addition of R^2 of 0.018 (from R^2 = 0.131 to R^2 = 0.149). This shows that the moderating variable can give an additional variance explanation of 1.8% to the dimension of satisfaction allowance exceeding the positive affect (PA) of 13.1%.

Further, Table 4 shows that positive affect (PA) does not moderate the effect of pay levels on the dimension of pay raise satisfaction (ß = 0.760; t = 1074; p> 0.05). When the modifying variable (actual pay level X positive affect) is included in the regression analysis (third step), there is only R^2 addition of 0.005 (from R^2 = 0,100 to R^2 = 0.105).

This shows that the moderating variable is only able to give an additional variance explanation of 0.5% to the dimension of pay raise satisfaction. An increase of R^2 by 0.5% is considered incapable of explaining the effect of paylevel and positive affect (PA) on the dimension of pay raise satisfaction.

Finally, the positive affect (PA) moderates the effect on the pay administrative satisfaction dimension (ß = -1.517; t = -2.197; p <0.05). When the modifying variable (positive affect X pay level) is included in the regression analysis (third step), there is an addition of R^2 of 0.021 (from $R^2 = 0.127$ to $R^2 = 0.148$). This indicates that the moderating variable can give an additional variance explanation of 2.1% to the satisfaction dimension of pay administration satisfaction exceeding positive affect (PA) of 12.7%.

In general, the results of moderated regression analysis in this study show that the positive affect (PA) moderates the effect of pay level on the dimensions of pay level satisfaction, the dimension of benefit satisfaction, and dimension of pay administration satisfaction. Nevertheless, the results of moderated regression analysis show that the positive affect (PA) does not moderate the effect of pay level and the dimensions of pay raise satisfaction. This shows that, at least partially, **hypothesis 3 is supported.**

DISCUSSION

The results show that the pay level has a positive effect on each dimension of salary satisfaction, namely the dimensions of pay level satisfaction, dimensions of benefit satisfaction, dimensions of pay raise satisfaction, and dimensions of pay administration satisfaction. These findings are empirical evidence showing that situational factors such as pay levels have a positive effect on pay satisfaction (Lawler and Porter, 1966, Ronan and Organt, 1973, Shapiro and Wahba, 1978, Motowidlo, 1982, Shaw, et al., 1999, andShaw,et al., 2003).

Positive affect (PA) has a positive effect on each dimension of pay satisfaction. The findings of this study are consistent with George's (1992), opinion, which states that the dispositional factors will be attached to the individual, and the individual can

not unleash the dispositional factors in organizational life. Dispositional factors will also determine the attitude of individuals in responding to the condition of the organization. Positive affect (PA) has an important role in the context of individual pay satisfaction in the organization. Moreover, these findings add previous studies by Shaw, et al. (1999). The study did not find any effect of positive affect (PA) and dimension of benefit satisfaction.

The results showed that the positive affect (PA) moderates the effect of pay level on three dimensions of pay satisfaction, namely the dimensionof pay level satisfaction, the dimension of benefit satisfaction, and dimension of pay administration satisfaction. The findings of this study confirm the perspective of personal sensitivity perspective on rewards (signal sensitivity perspective), which states that in general individuals have different tendencies to respond to rewards (Shaw, et al., 1999).

The findings of this study confirm the signal sensitivity perspective, which states that the effect of situational factors on pay satisfaction will be low if the dispositional factors which are inherent in the individual have a strong influence on pay satisfaction. Furthermore, the findings in this study are consistent with the interactional view that individual attitudes (pay satisfaction) in the organization will significantly be influenced by the interaction between situational factors (pay level) and dispositional factors (positive affect) (Household, et al., 1996).

CONCLUSION

The result of moderation regression test shows that pay level has a positive effect to each dimension of pay satisfaction. Positive affect (PA) has a positive effect on each dimension of pay satisfaction. Finally, the results of this study show that the positive affect (PA) moderates the effect of pay level on the dimensions of pay level satisfaction, the dimension of benefit satisfaction, and dimensions of pay administration satisfaction. Nevertheless, this research does not succeed in showing the role of moderating positive affect (PA) on the effect of pay level on the dimension of pay raise satisfaction.

The results of this study support the perspective of personal sensitivity(signal sensitivity perspec-

tive), which states that individuals have different sensitivities in responding to rewards (salary). The different tendency of individual responses to rewards is based on differences in personality characteristics. Individual responses to rewards are based on the level of individuals' different rate of positive affect (PA). Individuals with high rates of positive affect (PA) are more sensitive to rewards than individuals with a low level of positive affect (PA).

PRACTICAL IMPLICATIONS

Pay levels have a significant role in determining individual satisfaction on various dimensions of pay satisfaction. These results guide the organization that pay levels which are considered to be satisfactory by employees should be accompanied by improvements in other pay aspects, such as aspects of benefits, pay raise, and pay administration.

Organizations need to understand that payroll or compensation systems. However, the organization also needs to recognize that the design of compensation systems such as salary does not have the same and long-term impact on eachpay satisfaction. Each has different levels of the tendency in responding to the award he receives (positive effect).

Practitioners need to understand that individual pay satisfaction is caused by the interaction between the situational variable and dispositional variable. It is important for organizations to investigate each's perspective on the pay level they receive. Understanding the positive affect (PA) of each can help the organization knowindividualexpectations regarding the pay level. This can be the basis for the organization to design a compensation system by balancing individual expectations and organizational capabilities.

LIMITATION

This study used survey design with cross-sectional data. Therefore. Cause and effect testing cannot be seen clearly (Podsakoff, et al., 2003). Future research should consider experimental methods in this topicto assess changes in individual attitudes toward pay rate changes. The sample in this study are employees who are in the master degree.

The level of education may affect employee pay satisfaction and interfere with causal testing in this research model. Future research should be done on individuals with different educational backgrounds.

Testing the reliability of instruments of PANAS (positive and negative affect schedule) in this study used the internal consistency test. Future research should perform a test-retest to determine the level of stability of the PANAS instrument. Finally, the hypothesis testing method in this study uses a hierarchical regression analysis that may lead to the occurrence of multicollinearity (Darrow and Kahl, 1982). Therefore, the interpretation of research results with hierarchical regression tests in future studies should be made carefully.

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