



**TO WHAT EXTENT DOES PAY INFLUENCE PERFORMANCE IN  
SMALL-MEDIUM ENTERPRISES: A CASE STUDY OF A SMALL FOOD  
COMPANY IN HEBEI**

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**ABSTRACT**

Title: To what extent does pay influence performance in small-medium enterprises: a case study of a small food company in Hebei

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The purpose of this dissertation is to explore to what extent pay affects performance in a food company in Hebei. In this research, a large volume of pay by piece rate literature was reviewed, particularly on the subject of pay by piece rate and fairness, work quality, production speed and commitment; the results of this research supported this literature. Twenty semi-structured interviews with employees who are paid by piece rate in the food company, employees who are paid hourly in the food company and the owners of the food company were conducted to gain the data about whether employees think pay by piece rate is fair compared with time-based pay and how pay by piece rate affects the relationship between production speed and work quality as well as whether pay by piece rate can enhance employees' commitment to the food company. Furthermore, NVivo has been adopted to analyze the data that conducted by semi-structured interview. There were three main findings from the research. First of all, two-thirds employees who are in the food company perceived pay by piece rate fair compared to hourly pay, which encourages employees have a better performance. Furthermore, pay by piece rate has a positive effect on almost all of the employees' production speed whereas it has a negative impact on employees' work quality. In addition, 75 percent of employees perceive piecework does not increase their commitment to the food company, which does not improve employees' performance. Recommendations include setting a reachable average number of piecework in order to give more time for employees to improve their work quality and encouraging employees to share information with others for the sake of enhancing employees' commitment to the company.

**Key words: Pay; performance; pay by piece rate; fair; commitment; work quality; production speed**



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## 1. INTRODUCTION

Pay has always been being a major issue ever since business began. According to Sweins and Kalmi (2008) pay refers to giving employees money in exchange for their work, which comprises three different kinds of payment system. These are job-based payment system (time-based pay), performance-related payment system (pay by piece rate) and person-based payment system (Bratton & Gold, 2012). Chand (2012) pointed out that the purpose of pay is assisting organizations to attract and retain talented people to help the organization improve its performance. In other words, pay can help organizations achieve competitive advantage. In reality, it is common to see that in order to retain the right employees an increasing number of companies tend to pay higher wages for employees than the market average (Peng, 2012). Moreover, Prendergast (1999) points out that a good pay system not only can help companies attract and retain the right people but also can motivate employees to perform to the maximum in their jobs. Furthermore, Liu (2013) points out that the nature of pay is improving organizations' performance by motivating employees to devote all their efforts to their jobs. Both organizations and employees, therefore, could benefit from a good payment system (Peng, 2012).

In China many industries, especially those in manufacturing, are using piece rate payment system at the moment (Liu, 2013). Furthermore, Cai (2013) stated developing countries adopt piece rate compensation more than developed countries. While, there are some reasons why pay by piece rate is being used in many Chinese companies. First of all, the economy of China is developing very fast, which leads to many new firms opening every day, particularly in Hebei province which is near Beijing. Moreover, even though an increasing numbers of companies are being established every day, many employees are still unemployed. In other words, China has a large population and it enjoys an extensive labor market (Zhang, 2006). In addition, China is a country with a large scale manufacturing sector and employers want to save costs and recruit more productive employees (Wei, 2012). Therefore, most companies are paying for their employees by piece rate, such as clothes manufacturers and food manufacturers (Wei, 2012).

With the above in mind, it is necessary to know whether piece rate payment is a good payment method such as can it improve employees' performance. Therefore, it is now relevant to explore to what extent pay affects performance in Hebei. In order to achieve the goal, one food company where located in Hebei province in China has been chosen to help explore the research in-depth. There are 41 people in this company. More specifically, five owners and thirty-six employees work in it. The

payment system in this food company is the combination of time-based pay and pay by piece rate. Employees who have worked in this company for less than three months are paid by time. From the start of the fourth month employees are paid by piece rate. The current situation in the food company is two employees are paid by time rate at the moment, which means they have been working in this company for less than three months. However, the other thirty-four employees are paid by piece rate.

This research, therefore, is based on the food company located in Hebei to explore to what extent pay by piece rate influences performance. This research explores the topic through three research questions. The first research question is to what extent do employees in the food company perceive they are paid fairly compared with when they are paid by time rate. The second research question is how piece rate in the company influence the relationship between the quality of work and the speed of producing. Finally, the third research question is to what extent employees think pay by piece rate increases their commitment to the company.

This research will be divided into six chapters. Chapter one has introduced the general background of the piece rate payment situation in China and the background of the food company as well as the purpose of this research. At the end it has introduced the research questions.

Chapter two will outline previous studies about pay and performance. It will include the literature of the historical context of pay and performance, the literature of whether pay by piece rate is fair or not, the impacts of pay by piece rate on the relationship between production speed and work quality as well as piece rate pay and commitment.

Chapter three will outline the methodology that has been used in conducting the research such as the methods of collecting and analyzing the data in the food company. For example, it will explain why this research has chosen semi-structured interviews and the strengths and limitations of this form of interview will be discussed.

Chapter four will present the findings gathered from the food company through telephone interviews. This chapter will suggest that two-thirds of the employees who are in the food company thought it is fair for them to be paid by piece rate. Moreover, work quality has slightly decreased under the piece rate payment system whereas pay by piece rate enhances employees' production speed considerably. In addition, it also

will suggest that piece rate pay only increases 15 percent of employees' commitment in the food company.

In chapter five findings that have been collected from the food company will be discussed combined with the literature review.

Chapter six will summarize the findings. Then, the strengths and limitations of this research will be discussed. Finally, it will provide some recommendations for the company.



## **2. LITERATURE REVIEW**

### **2.1 Introduction**

Pay, as an unavoidable cost plays a significant role in organizations. A good payment system could help organizations gain competitive advantage and make huge profits (Bratton & Gold, 2012). On the other hand, a bad payment system can lead organizations to bankruptcy (Peng, 2012). According to Liu (2012) understanding the link between pay and job satisfaction and work motivation and a link to productivity, while job satisfaction is also a predictor a job retention. In this chapter, it will review a variety of research that is relevant to the topic of the effects of pay on performance. Firstly, it will outline the historical context of pay and performance. Secondly, it will discuss whether pay by piece rate is fair or not. Next, it will outline the impacts of pay by piece rate on the relationship between the speed of production and work quality. Pay by piece rate and commitment will be looked at before the conclusion of this chapter.

### **2.2 Historical context of pay and performance**

#### **2.2.1 The relationship between pay and performance**

The relationship between pay and performance has been studied by a number of authors. For instance, Chand (2012) in his study point out that performance-related pay could encourage higher levels of individual and organizational performance. This is because performance-related pay rewards employees with a financial payment following an assessment of their performance and the achievement of objectives, which stimulates employees to perform to the maximum.

However, Liu (2012) claim that there is a danger that pay may lead to misallocation of effort and spillovers. Moreover, according to Herzberg's two-factor theory, lack of money can make people dissatisfied but more money may not satisfy people either due to other things such as achievement, work itself and personal growth which can be more important than money for some people in order to enhance their performance (Herzberg et al., 1959).

### 2.2.2 Piece rate pay and time-based pay

Bratton and Gold (2012) point out that time-based pay refers to employees who are paid by the time that they devote to their jobs. However, piece rate pay is paying for an employee directly by the number of pieces of work that the employee produces (Chand, 2012). Similarly, Ajslev et al. (2015) points out that piece rate pay refers to the fixed price per unit that is defined in advance; an employee is paid by the quantities of quality products that he or she produces. Therefore, it can be seen that fixed price per unit and paying for employees by the results that they work are the two main elements in the piece rate payment system.

Much research has been done on the differences between pay by piece rate and time rate pay. Copeland and Monnet (2009) point out that time rate employees are more focused on the quality of products whereas piece rate employees prefer to pay more attention on the number of products rather than the quality of products. Moreover, Rubin and Perloff (1993) point out that the piece rate system requires employees to devote more effort than in the time rate system. This is because time-based pay is based upon employees' input whereas pay by piece rate is based on employees' output. Similarly, Hoverman et al. (2010) mentions that pay by piece rate is more equitable and just than time-based pay. In this case under the time rate payment system more productive employees earn the same as less productive employees.

### 2.3 Whether piece rate is fair

Whether employees think pay by piece rate is fair or not is a significant factor for employees' performance. In other words, employees will be motivated to perform well if they think they are paid fairly. In contrast, they will have a poor performance if they think they are paid inequitably (Liu, 2013).

Liu (2012) points out that fairness could be reflected by piece rate pay because the fact that piece rate payment system pays by employees' outcomes rather than by the time they devote to their jobs. Therefore, he stated that pay by piece rate is fair. He also mentioned that people will be satisfied with the piece rate payment system if they are paid fairly.

However, Neilson and Stowe (2010) claims that when workers are paid with piece rate, inequality arises naturally. This is due to those employees who produce naturally slowly cannot get the same outcomes as their colleagues even if they devote more input into their work than others. In this case, pay by piece rate is unfair for

employees who produce slowly and these employees are not happy with piece rate pay.

It, therefore, can be seen that there is no unified conclusion about whether piece rate pay is fair or unfair for employees.

## **2.4 The effects of piece rate pay on the relationship between the speed and the quality of producing**

There are few experimental studies of the advent of a piece rate that rewards both quantity and quality. Experiments with random assignment provide a critical method for overcoming the criticism that quality and quantity are endogenous and reflect worker sorting, as emphasized by Liu (2012). Structural models provide one avenue as Liu (2013) model the firm's choice of a piece rate versus time rate and show that under piece rates workers can respond by increasing quantity at the expense of quality. More directly, several recent studies use experimental designs to study the effect of piece rates. Liu (2012) examines the productivity effects associated with piece rates by randomly assigning tree planters to work under either a time rate or piece rate. He finds that piece rates increase productivity about 20%.

Similarly, Skiba and Rosenberg (2011) point out that there are a variety of ways for employees to reduce the feeling of inequity, such as changing inputs or the outcomes. However, Adams (1965) points out that changing their inputs by changing the speed of producing and the quality of products are the common ways for piece rate paid employees to reduce their feelings of inequity. Similarly, Liu (2012) mention that rewards for quality (or penalties for low quality) can be part of piece rates and that as a consequence it should not be assumed that quality will be sacrificed for quantity. However, this part will draw on the topic of the impacts of piece rate pay on work quality and production speed through equity theory.

### **2.4.1 Equity theory and the relationship between production speed and work quality under piece rate pay**

Adams (1965: p.270) points out "inequity exists for a person whenever he perceives that the ratio of his outcomes to inputs and the ratio of other's outcomes to other's inputs are unequal". Equity theory suggests that employee perceptions of what they contribute to the organization, what they get in return, and how their return-contribution ratio compares to others inside and outside the organization, determine how fair they perceive their employment relationship to be (Adams, 1965).

Perceptions of inequity are expected to cause employees to take actions to restore equity.

Neilson and Stowe (2010) have summarized that inequity in piece rate pay includes underpayment piece rate and overpayment piece rate. More specifically, underpayment piece rate pay makes employees who are paid by piece rate think the ratio of inputs to their outcomes is lower than the ratio of equal paid employees' inputs to their outcomes. On the other hand, overpayment piece rate means employees who are paid by piece rate think the ratio of their inputs to their outcomes is higher than equal paid employees.

Much research has been done on the topic on the impacts of inequity piece rate pay on employee's performance by equity theory. For instance, Lawler (1968) found that those employees who are underpaid by piece rate are willing to work faster and produce more pieces of work because producing more products can help them reduce the feeling of inequity.

However, the quality of work that underpayment piece rate employees produce is lower than those employees who are equity paid by piece rate (Ng & Shi, 1995). The quality of work that underpayment piece rate employees produce, therefore, is low.

Similarly, Adams and Jacobsen (1964) interviewed 60 part-time male students at Columbia University about the effects of piece rate pay inequity on work quality and they found that the quality of underpaid employees is lower than equity paid employees. This is due to employees preferring to reach the equity situation and enhancing their job security.

Some authors have also researched the effects of piece-rate overpayment on work quality and the speed of producing. For example, Ng and Shi (1995) conclude that overpaid student employees prefer to reduce the speed of producing and enhance work quality to keep equity. This is due to overpaid employees wanting to balance their inputs and outcomes in order to keep equity.

Similarly, Wood and Lawler (1970) pointed out that there are two main reasons why overpaid employees do their work slower than equity paid employees. Firstly, it is because overpaid employees produce higher quality products. In other words, it takes time for overpaid employees to enhance the quality, which leads to slower speed. Secondly, some overpaid employees reduce the feeling of inequity by reducing productivity.

Hu (2011) studied the relationship between remuneration and commitment and in that study she concluded that inequity piece rate paid employees will try their best to get back to equity by changing the speed of producing and changing the quality of products in the beginning; however, they are willing to change to another company if inequity piece rate paid employees cannot get back to equity, which means employees are not committed to the company any more.

## **2.5 Piece rate pay and commitment**

Following on from the above sections, which are about the specific areas of pay by piece rate and whether it is fair or not as well as its effect on the relationship between work quality and production speed, this section will focus on a general area that is piece rate pay and commitment.

### **2.5.1 Whether piece rate pay affects employees' job satisfaction**

Job satisfaction plays a significant role in employees' turnover (Wei, 2012). According to Locke (1976), job satisfaction refers to an emotional situation that stems from one's job. In other words, it is whether a person likes or dislikes his or her job. There are four main elements that affect employees' job satisfaction, including work itself, pay, co-work and self-esteem (Hu, 2011).

According to Peng (2012), Herzberg's two-factor theory is a famous management tool to assess satisfaction. Herzberg et al. (1959) stated that hygiene factors include many factors such as job security and working environment. Employees will be unsatisfied with their work or absent from their jobs if one of these hygiene factors loses. Motivators, such as achievement, holidays and self-esteem, can cause job satisfaction and can motivate employees to have a better performance. Job satisfaction, therefore, plays an essential role between employee turnover and employees' job performance due to people not leaving the company if they enjoy their jobs. In other words, employees will not only have a higher commitment to the company but also have a good performance if they are satisfied with their jobs (Carsten & Spector, 1987). So it is important for organization to know whether pay by piece rate could enhance employees' job satisfaction.

Much research has studied pay by piece rate and job satisfaction. For example, Benjamin (2008) points out that employees' job satisfaction could be enhanced by piece rate pay. In other words, pay by piece rate, as a financial incentive, encourages



employees to become more like their jobs. This is because employees can earn more if they produce more when they are paid by piece rate, which leads to employees being happier with their jobs.

Similarly, in the research of the functions of incentive preference on job satisfaction, Tong and Zhang (2010) suggest that piece rate pay could make employees satisfied with their jobs by achieving their self-esteem and esteem from others. More specifically, pay by piece rate is the best way for those employees who achieve their self-esteem by letting other employees know they can produce more than others. This is due to under piece rate payment; every employee will know how much work others do, which could meet employees' self-esteem and other esteem. As a result, employees are more satisfied with their jobs through pay by piece rate.

However, Heywood and Wei (2006) studied performance pay and job satisfaction and they claim that pay by piece rate has a negative effect on employees' job satisfaction. This is due to pay by piece rate requiring employees to put more effort into their jobs if they want to secure their jobs. Furthermore, Benjamin (2008) pointed out that job satisfaction will be decreased if employees are required to employ more effort. Pay by piece rate, thus, has a negative impact on employee's job satisfaction.

Similarly, Chen (2004) studied piece rate pay and job satisfaction and he stated that competition emerges between employees when employees are paid by piece rate, which leads to employees not wanting to share valuable information with others. As a result, employees are not satisfied with the working environment, which leads to employees not liking their jobs and even employees not wanting to go to work. In other words, pay by piece rate does not make people enjoy their jobs more.

### 2.5.2 Whether piece rate pay affect commitment

In reality, many managers and employees believe that employees will give greater commitment to their organizations if they are paid more (Parker & Wright, 2001). Hu (2011) mentions that compared with time-based pay, employees could earn more when they are paid by piece rate. However, whether employees who are paid by piece rate are committed to their organizations is another matter.

Klein (1976) points out that personal piece rate pay cannot lead to high commitment because employees who are paid by personal piece rate always do their jobs alone. In other words, personal piece rate paid employees do not cooperate with their colleagues when they are working, which leads to weak teamwork. Personal pay

for piece rate, therefore, cannot enhance employees' commitment. Similarly, piecework systems represent a situation where individuals act as fractional sub-markets within an organization and use their bargaining power to sell their effort for the highest price without regard to the effect on the organization as a whole. There appears to be no real integration into the company. If an employee can make a higher wage elsewhere, and the switching costs are low, they will go. There can be no loyalty or pride in a company which simply pays for production without regard to the producer. Therefore, do not be enhanced by piece rate payment system.

In addition, Lack of loyalty can also come from the fact that piece rates are strongly associated with bad practices in the past in incentive systems, such as those mentioned before of rate cutting or establishing standards based on a supervisor's estimate. Because of this, it leads some workers to distrust and be suspicious of any piecework system (Liu, 2013). It makes it very difficult to manage a productive company under these conditions.

While, in the research of whether organizations can use employees' extra hours wages to offset unsatisfactory work fee, Cong (2006) pointed out that paying for below quality work is a common thing in China and that does not affect employees' commitment to organizations as employees accept responsibility for their work.

However, Xuan (1964) studied piece rate payment and he mentioned that pay by piece rate could encourage employees to be more loyal to their companies by paying for below quality work because paying for unsatisfactory work means all employees being equal in the organization. In addition, Chen (2004) emphasizes that the group form of piece rate pay could enhance employees' commitment. In other words, in order to achieve group targets every employee who is in the group needs to have a highly positive teamwork spirit such as sharing useful information with others. The group form of piece rate pay, therefore, encourages employees to be committed to their organizations.

From the above, piece rate pay, therefore, has negative effects on employees' commitment whether it is personal piece rate pay, inequity piece rate pay, paying for unsatisfactory work or without basic pay. However, group form piece rate pay, equality piece rate pay and paying for below quality work have positive effects on employees' commitment.

### 2.5.3 Commitment and performance

Much research has been written on the topic of commitment and performance. For instance, Chughtai and Buckley (2013) point out that companies who have more committed employees have a higher performance than those companies with lower commitment. This is due to committed employees perceiving that they belong to their companies rather than just a body that is working for this company so they need to devote more discretionary effort into their jobs than their colleagues (Whitener, 2001).

## 2.6 Conclusion

In conclusion, pay by piece rate refers to employees being directly paid by the number of quality pieces of work that they produce (Skelton & Yandle, 1982). There are reasons why piece rate pay is quite different from time rate pay (Rubin & Perloff, 1993) such as piece rate employees are paid by their outputs whereas time rate employees are paid by the time they devote to their jobs (Sweins & Kalmi, 2008). Moreover, some authors think that pay for piece rate is fair. On the other hand, other authors believe that the piece rate payment system is unfair. In addition, there are different explanations about how piece rate pay affects the relationship between work quality and production speed. For example, Ng and Shi (1995) think overpaid paid employees produce high quality of work due to wanting to get back to equity, while Lawler (1968) thinks overpaid employees produce high quality of work in order to protect their job security. Moreover, Chen (2004) explains that piece rate compensation could increase employees' commitment particularly group piece rate pay whereas Hu (2011) suggests piece rate does not enhance employees' commitment.

### **3. METHODOLOGY**

This chapter is going to justify and outline the methodology that has been used in this study. It will start with research philosophy and research theory. Then research strategy and research methods will be identified. In the next part, it will justify research authenticity and samples. Before discussing the ethical issues it will justify research tools that were used in this research. In the last part it will discuss the data analysis method.

#### **3.1 Research Philosophy**

This research was done from a subjective perspective in order to explore the three research questions, which are compared with hourly pay whether employees who work for the food company think piece rate is fair and the impacts of pay by piece rate on the relationship between production speed and work quality as well as whether employees think pay by piece rate could enhance their commitment to the food company. In this research, the employees and owners who participated in the interviews were the social actors. Moreover, the consequences of this research were based on the interview answers. In other words, this research results were from the respondents' point of view and how they think the world is. Therefore, According to Saunders et al. (2009), this study was based on subjectivism rather than objectivism.

According to Robson (1994), positivism is a method that people research the nature of science, while interpretivism is a method that people study the distinction between each person. This study adopt interpretivism philosophy, this is due to I interviewed stuffs who are in the food firm, which reflected their own ideas of different people.

#### **3.2 Research Theory**

This dissertation discuss in which way does pay for piece rate influence employees' performance, which is a new theory rather than an old theory. Thus, this research adopt inductive approach.

There are some merits of inductive approach. According to Coleman and Briggs (2002), based on opening questions, researchers could get in-depth information. What is more, it is useful for researches to use inductive approach in small company (Fogelman, 2002). While, Coleman and Briggs (2002) argue that the consequence of inductive method is too subjective.

### **3.3 Research strategy**

When it comes to research strategies, qualitative research strategy has been adopted in this study. There are two core reasons why qualitative research has been used rather than quantitative research. Firstly, there was no existing data for the small food company. Therefore, quantitative research could not be used in this study. Secondly, the research probed the impacts of piece rate pay on performance, which means the research was an exploratory study. That is to say, the study needed information from different individuals' point of view about whether pay affects their performances. In other words, numbers cannot be used to explore the nature of the research questions. This study chose, therefore, qualitative research strategy.

### **3.4 Research Methods**

According to Fogelman (2002), surveys and case study are the core methods of qualitative research. While, in this study, it was convenient for me to gain all the answers from a small firm and all the answers are real ideas of people who are in the company. In addition, interviewees provided some unimagined informances. This dissertation, therefore, adopted case study.

However, there is a main limitation of case study, which is the result of case study cannot represent all companies (Saunders et al, 2009). For instance, the conclusion of the food firm only represent this firm, which cannot use in other companies.

### **3.5 Research Authenticity**

According to Bryman (2012), some criteria such as validity, reliability and trustworthiness need to be taken into account, in order to guarantee and evaluate the quality of this study. Validity means the quality of the study estimated. Reliability means whether the conclusion of the research is reliable. There are four main types of validity. These are measurement validity, internal validity, external validity and ecological validity (Fogelman, 2002).

While, due to the consequence of the study only represents itself, which cannot represent other companies, and not all the researchers explore the real social world (Liu, 2012). Liu (2012), therefore, argue that trustworthiness is the best criteria of qualitative research criteria.

This research was a case study so the results of this case study can only stand for the food company itself, which means the results cannot be used in any other food companies. That is to say, the transfer-ability in this study is reduced whereas the credibility is increased. In addition, the data of this case study were conducted from the people who are in the food company. In other words, all interview answers were

the reflections of the participants for this company. In this situation, the results were subjective, which means this research has less conformability. Also, this research is less dependable because the results of the study cannot be applied for other situations apart from the current situation.

In order to keep the trustworthiness of this research, consent forms were signed (see Appendix 1) by participants before the interviews were conducted and the respondents had been told they were not being forced to participate in the interview. Moreover, pilot interviews were conducted. More specifically, one employee who has less than three months experience, one employee who has more than three months experience in the food company and one owner were interviewed beforehand in order to get some feedbacks for the interview questions from those three people. That is to say, the interview questions were adjusted before all the participants were interviewed.

### **3.6 Samples**

According to Fogelman (2002), sampling is choosing a proportion of people who could represent a large group of people. Probability sampling and non-probability sampling are the main sorts of sampling (Bryman, 2012). Bryman (2012) also pointed out that quantitative research is likely to adopt probability sampling, while qualitative research such as case study trends to adopt non-probability sampling. The problem of adopting non-probability sampling is the size of non-probability sampling is small, which cannot be generalized (Bryman, 2012).

A non-probability sampling has been used in this research. This is because the research only chose twenty respondents who are in a small firm and the results of the research are justified. The sample was divided into three groups, which were the employees who work less than three months in the catering firm, employees who work more than three months in the small food company and the owners of the firm. The sample was divided into three different groups because as previously mentioned the payment system in the small food company is different for different employees. More specifically, employees who have less than three months working experience are paid by time rate. However, employees who have worked in the food company are paid by piece rate. It, therefore, is better to explore pay from three different perspectives whether pay for piece rate is fair compared to previous time rate.

The size of this research sample was small. More specifically, only 20 respondents from a population of 41 people participated in the research. However, in case some people would not want to participate in the research it was good to choose 20 people from the food company rather than all the people. The size of the research sample, therefore, was a small one. Consequently, the results of this study cannot be

generalized due to the small sample size.

### **3.7 Research Tools**

Interview is the most popular approach in qualitative research (Bryman, 2012). This is due to respondents' ideas are reflected by all the questions that they are interviewed. Interviewees could offer more in-depth information. What is more, the results which are answered by respondents are valid. In other words, interviewer could collect answers from respondents' facial expression (Bryman, 2012).

This research adopt three interviews. The first one is for new employees who work longer than three month (Appendix 2). The second one is for workers who work less than three months (Appendix 3). The third one is for managers of the food firm (Appendix 4).

There are some disadvantage of interviews. First of all, it is time consuming (Bryman, 2012). For instance, it took a long time to translate all the interviewees' answers from Chinese to English. In addition, interviews are not objective (Fogelman, 2002) due to the results are only respect the respondents' perspective, which is subjective. Thirdly, the consequences of the interviews only represent the food company which interviewed.

What is more, all the interviewees were in China, it would cost a lot if went back to China, therefore, this dissertation also adopt telephone interviews.

### **3.8 Ethical Issues**

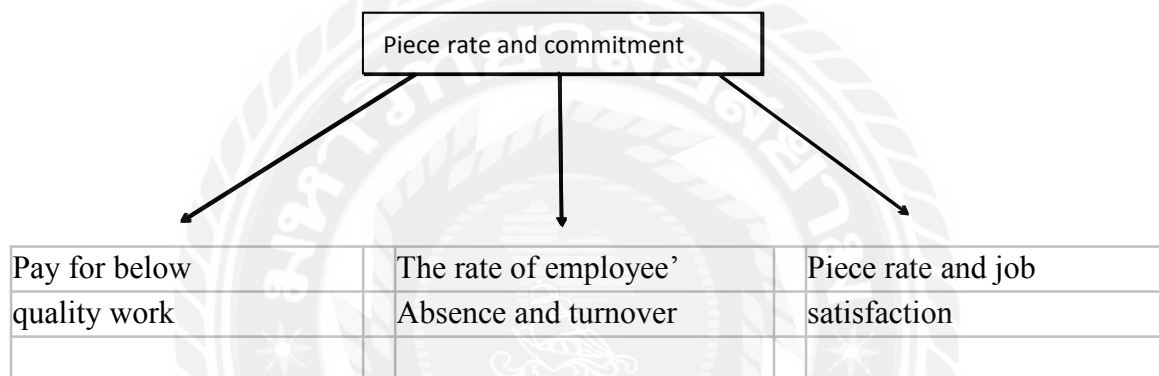
There is no one perfect research method. In other words, every research method more or less has ethical issues (Cai, 2013). Researchers, therefore, need to consider the ethical issues when conducting research (Bryman, 2012). More specifically, the interviewers need to keep all the things secret in order to keep interviewees safe. Fogelman (2002) pointed out that the best way of keeping respondents safe is be anonymous for all the interviews. Under this situation, the respondents could offer real answers. In order to keep their position, otherwise, they only say good things to the researcher.

In order to reduce ethical issues, therefore, three things were done before the interviews were conducted. Firstly, I had introduced myself and explained the purpose of this interview. Secondly, informed consent forms were completed with all respondents. In the informed consent form, employees have been told that they had been chosen randomly and they had the right to refuse answers to any interview question, which means employees would not be compelled to participate in the

interview. Thirdly, the participants were promised that the interviewer would be the only person who knew the answers that they gave and they would be anonymous.

### 3.9 Method of Data Analysis

There are two main sorts of data analysis method. The first one is manually analyzing data such as grounded theory. The second one is analyzing data with the computer's help such as NVivo (Bryman, 2012). NVivo has been adopted in this research. This is because NVivo, as a computer-aid, could help researchers reduce manual work. In the first stage of using NVivo, nodes were created. There are two types of nodes. The first one is tree node which means nodes are organized in a hierarchy like a tree. The second one is free node, which does not have layers (Bryman, 2012). Tree node was used in the research. For example,



Tree nodes had been founded before coding was conducted (Bryman, 2012). On the screen researcher could see a coding strip before drag the highlighted content to the nodes.

### 3.10 Conclusion

This chapter has outlined and justified why this study adopted subjective and interpretivism philosophy. In addition, qualitative case study research methods and the limitations of the food company case study have been discussed. This chapter also has identified the research methods and research authenticity as well as interview research tool. In addition, the limitations of semi-structured interviews that adopted in this study have been discussed. Moreover, ethical issues and the samples of this study have been identified. Finally, it has analyzed NVivo as a method of data analysis.



## **4. RESULTS**

### **4.1 Introduction**

The aim of this chapter is to deal with the three research questions, which is based on NVivo to show the findings that were from the semi-structured interviews. Moreover, coding which was built into NVivo, will be used to analyze the data that was collected from the food company.

This chapter will be divided into three sections. It will start with analyzing the data whether pay by piece rate is fair for employees. Then the data that the impacts of pay by piece rate on the relationship between work quality and the speed of producing will be discussed. Finally, it will examine the data whether employees think their commitment is enhanced by piece rate payment.

### **4.2 Whether employees think pay by piece rate is fair compared with time rate**

The aim of this section is to address the first research question whether employees think the piece rate payment system is fair in the food company compares with time-based pay. Some the interview questions were designed to help to deal with the first research question. More specifically, interview question A1 (see Appendix 2) was designed to receive general ideas about how time rate is different from piece rate. Moreover, question A2, A3, B1 (see Appendix 3) and C1 (see Appendix 4) were to conclude how people feel pay by piece rate. In addition, the answers about whether pay by piece rate works for employees will be analyzed from question A4, A5, B2, B3 and B4. This section will begin with analyzing the distinctions between pay by piece rate and pay by time rate. Then it will discuss whether employees feel pay by piece rate is fair. Finally, if piecework works for employees will be examined.

#### **4.2.1 The differences between time rate and piece rate**

From the coding “time rate and piece rate” we can see that seventeen piece rate paid employees answered the question about the differences between time-based pay and pay by piece rate. The main findings of this coding indicated that all the seventeen employees pointed out that the significant distinction of piece rate and time rate is employees are paid by the work they do whereas time-based pay pays employees by the time that employees work. The findings also suggested that motivation is different between time rate and piece rate employees. In other words, piece rate payment could motivate employees to devote more efforts into their jobs whereas time rate payment does not. This is because under piece rate payment system

employees could earn more if they do more work. However, under time rate payment nobody wants to work more because no matter how many pieces of work the employee produces, he or she will get the same amount of money as his or her colleagues so nobody wants to work more. For example,

“Pay by piece rate depends on employees’ results. However, pay by time rate is based on inputs to pay for employees...” (Interview,12)

In addition, another finding from the coding is employees’ job security is different between pay by piece rate and pay by time rate. More specifically, employees thought that they will be dismissed if they do not have a higher productivity so they thought employees who are paid by time rate have a higher job security than those employees who are paid by piece rate. The following quotes are from interviewees 1:

“The job security of piece rate pay is lower than time rate pay”

#### 4.2.2 Comparing the ratio of employee’s inputs to their outcomes with people

There were two distinct coding within coding “comparing the ratio of one’s inputs to their outcomes with people”. The first one is “comparing the ratio of employees’ inputs to their outcomes with themselves”. The second coding is “comparing the ratio of employees’ inputs to their outputs with their colleagues”

Within the first coding seventeen piece-rate paid employees responded to the question whether employees feel it is fair to compare the ratio of their inputs to their outcomes with previous time-based pay. The findings showed that fourteen out of seventeen employees who are paid by piece rate said that the ratio of employees’ current inputs to their outcomes is higher than previous time rate and their performance has been improved due to they are paid fairly. This is because employees’ inputs are paid off at the moment. On the other hand, in the past (time rate) every month employees earned the same. Even if employees produced more in one month they earned the same as the month when they produced less, which is unfair for them. The following quote is from interview 3:

“For those employees who put more effort into their jobs... they can get more than before when they were paid by time rate”

However, it is significant to point out that the findings also showed three out of seventeen employees said that the ratio of employees' current inputs to their outcomes is lower than that in previous time rate pay. This is because employees devoting more efforts into their work than before (time rate) even devoted extra hours to work but the outcomes that they got were not much higher than before (pay for hourly). For example, interviewee 10 said every day he is trying his best to work but the money that he is earning now is just a little bit more (30 percent) than what he earned before. The following quote is from another interviewee:

“The outcomes that I got do not match the efforts that I devoted into my job”  
(Interviewee 5)

The second coding revealed that seventeen piece rate paid employees and one time rate paid employee answered the question whether employees feel it is fair compared to other people. The main findings from the second coding suggested that twelve out of seventeen piece rate paid employees feel it is fair compared with their colleagues. In other words, employees thought that the ratio of their inputs to their outcomes is equivalent to their colleagues'. This is because the wages that they earn are from the efforts that they make, which means employees will earn more if they produce more whereas employees will earn less if they produce less. For example,

“Even though I know some people earn more than me, they work harder than me... if I work the same as them I will get the same as them. However, I earn more than those who devote less than me. In this case, I think piece rate is fair for every employee...” (Interviewee 7)

However, it is important to see that the findings also indicated that the other five out of seventeen piece rate paid employees reported that the ratio of their inputs to their outputs is lower than others who are paid by piece rate. This is because they said that even though they are trying their best to work, their outcomes are lower than other skilled employees due to their slower productivity. For instance, interviewee 5 said that he naturally produce slower (5 pieces of quality work per hour) than others (produce more than 5 pieces of work per hour) so even if he put all his effort into his work, the pace of producing is still slower than others who also devote all their efforts to the work. In other words, his inputs are the same as others whereas the outcomes are less than others. So he feels it is unfair in terms of comparing the ratio of their inputs to their outcomes with their colleagues'. Another example for interviewee 10:

“I do not think it is fair because I naturally produce slowly”

In addition, the results also suggested only one time rate paid employee thought her ratio is higher than her colleagues who are paid by piece rate. She pointed out that no matter how much effort she put into her work she could earn the same fixed wages every month. However, for piece rate paid employees they need to put more effort into their jobs in order to get more money. Meanwhile, even though some employees worked really hard, they cannot earn much more than her. Therefore, she thought the ratio of her inputs to her outcomes is higher than others. For example,

“Because 30 percent of piece-rate paid employees put more effort in than me they earn a little bit more than me (only 20 percent more than me)” (Interviewee 18)

#### 4.2.3 Does pay for piece rate work for employees?

Two different coding were under the coding “does piece rate payment work for employees”. The first one is “whether you trust the financial information being transparent”. The second coding is “whether employees are happy with piece rate pay”.

The first coding revealed that all the seventeen employees who are paid by piece rate responded to the question whether employees trust the financial information being transparent in the food company. From the results, it can be seen that all of the seventeen employees answered that the financial information in the food company is shared a little but is not transparent and the information that is shared is the price per unit. Moreover, the findings also suggested that most employees thought it is not necessary for the owners to share financial information with them and there is no need for them to know the financial information. The following quote is from two of the interviewees:

“In terms of financial information, all I know is the price per unit...” (Interviewee 6)

“I do not think the financial information is transparent and I think I do not need to know that due to financial information is the secret for the owners...” (Interviewee 15)

The results of the second coding “Whether employees are happy with piece rate pay” were collected from all the twenty respondents. The findings showed that all seventeen employees who are paid by piece rate thought 70 percent to 80 percent of

employees were satisfied with pay by piece. This is because they pointed out that under pay by piece rate their outcomes match their inputs, which means they can earn more than before (when they are paid by time). So they are happy with piece rate payment. For example,

“Piece rate could help them earn more as long as they produce more quality work whereas time-based pay could not do this...” (Interviewee 6)

Moreover, the results showed that interviewee 18 (time rate paid employee) said that in the long term, the piece rate system is more suitable for her than time rate pay system and she said although she prefers to be paid by time rate at the moment, she is not worried about pay by piece rate because pay by piece rate will help her get more wages if she produces more products and now she is on the way to becoming proficient to produce. For example,

“I can produce more in order to meet my target, which is to earn more money...” (Interviewee18)

In addition, the findings also showed that the two owners pointed out even though 10 percent of employees do not prefer to be paid by piece rate, 90 percent of employees are happy with piece rate payment. They pointed out that 10 percent of employees do not like piece rate because their outcomes do not match their inputs and they claimed that they feel tired after piecework and there is no other reward to motivate them apart from pay. The following quote is from one of the two owners:

“... One employee said she tries her best to work after she is paid by piece rate but her wages are only 20 percent higher than before when she was paid by hours, which is unfair for her... they are always feeling exhausted after work... pay for piece cannot motivate her to work harder because she wants to get more holidays...” (Interviewee 20)

In conclusion, in the food company piece rate paid employees pointed out there are many differences between time rate and piece rate such as the levels of job security and employees are paid by different methods. Moreover, even though one-third of the employees did not think the ratio of their inputs to their outcomes is fair compared both with themselves' and with their colleagues', most employees (two-thirds) thought they were fair. In addition, despite around 20 percent of employees not thinking that pay by piece rate work for them but 70 percent to 80 percent of employees who work for the food firm thought that piece rate payment

worked for them because they were paid fairly, which motivates them to perform better and earn more.

### **4.3 The impacts of piece rate pay on the relationship between work quality and production speed**

This section is going to deal with the second research question whether pay by piece rate impacts on the quality of work and the speed of producing. A few of the interview questions are designed to answer this question. Firstly, interview question A6 and C2 were designed to receive data about how piece rate affects employees' production speed. Secondly, data about how piece rate affects work quality will be collected from question A7 and C3. Thirdly, question A8 and C4 were to collect data about how employees balance production speed and work quality. This section will be based on the above three areas.

#### **4.3.1 The effects of piece rate pay on employee's production speed**

Two completely different kinds of answers were received from piece rate paid employees and owners in the coding "piece rate pay and speed". The main findings of this coding showed that both sixteen out of seventeen piece rate paid employees and the two owners said that employees' production speeds are faster than before when they are paid hourly. They pointed out that employees tended to produce faster when they are paid by piece rate because they need money to support their family and their wages are lower than other industry's wages, which makes them feel it is unfair so they produce faster. For example,

"I want to get back equity so I produce faster than before..." (Interviewee 5)

Moreover, they also said they produce faster in order to protect their jobs because in my company if employees cannot reach the average number of products (5 pieces of work each hour) for 20 days within one month they would lose their jobs so they try their best to produce. The following quote is from interviewee 15:

"For the sake of protecting my job... piece rate payment improves my production speed..."

In addition, both interviewee 7 and the two owners mentioned that employees produce faster because they want to achieve other-esteem. For example,

“I want to perform better than my colleagues... it could give me confidence...”  
(Interviewee 7)

“Due to employees wanting to earn more money, raise their self-esteem and protect their jobs...” (Interviewee 19)

However, it is essential to note that the findings also revealed that one respondent who is paid by piece rate and the two owners thought that pay by piece rate affected employees’ production speed twice. More specifically, employees’ production speed increased before decreasing but the speed is still higher than before when employees were paid by time rate. This is because he said that piece rate increases his speed of producing at the beginning when he was paid from time rate pay to piece rate pay because he wants to earn more. However, compared with him other employees earned less so as time went by some of his colleagues stopped joking with him. Moreover, he mentioned that if he produces fast all the time he is worried the owners would increase the targets for per hour. For example, the following quote is from him: “My production speed has changed twice under pay by piece rate...” (Interviewee 13)

Similarly, the two owners also pointed out that some employees who produce really fast at the beginning when they were paid by piece rate and then they slow down their speed but it is quicker than before. However, it is different reason as interviewee 13 stated. The two owners said that employees slow down their speed of producing because they need to enhance the quality of work. For example, “Piece rate also reduces employees’ production...” (Interviewee 19)

#### 4.3.2 The effects of piece rate pay on employee’s work quality

The findings from the coding “piece rate pay and quality” showed that both the two owners and sixteen out of seventeen respondents who are paid by piece rate said that the quality of employees’ work has decreased around 4 percent, from 99 percent of quality work (time rate pay) to around 95 percent of quality work (piece rate pay). This is because employees place too much focus on production speed, which leads to more below quality products. In other words, employees spend more time and energy in thinking how to produce fast, which results in employees not having extra time and energy to care about the quality of work. For example, the following quotes are from two of the interviewees:

“I cared about the speed too much.” (Interviewee 11)

“Employees tend to produce fast, which leads to employees ignoring the quality of work and they do not have enough time to focus on the quality of products...” (Interviewee 20)

However, the findings also reported that only one out of seventeen piece rate paid employees said that the quality of his products that he produces has improved compared with when he was paid by time rate because in order to get back to equity he slow down his production speed, which gives him more time to take care of the quality of his work. For example:

“I produce slower than I could produce, which also leads to higher quality.” (Interviewee 13)

#### 4.3.3 How to balance production speed and work quality

According to the coding “balancing production speed and work quality”, seventeen employees who are paid by piece rate responded the question how do employees balance the quality of work and the speed of producing. The results showed that all those seventeen employees pointed out that in order to not waste time and energy on unsatisfactory work, employees should consider the quality of work as important and then produce as fast as they can. For example, the following quote is from one piece-rate paid employee:

“Maintaining work quality first... employees need to try their best to produce in order to meet the average amount of produces.” (Interviewee 2)

While, under the coding “balancing production speed and work quality” there was another coding “how many pieces of quality work could employees produce per hour while maintaining work quality” that was answered by seventeen employees who are paid by piece rate and two owners. There were three main findings from the coding. Firstly, the findings from the coding showed that ten out of seventeen employees who are paid by piece rate said they could produce 5 pieces of quality work per hour. For example,

“I can produce 5 pieces of work while maintaining the quality” (Interviewee 3)

Secondly, the findings also reported that seven out of seventeen employees said that they could produce 6 to 7 pieces of quality work per hour.



“I produce 7 piece of quality work every hour” (Interviewee 16)

Thirdly, both owners suggested that the average number of quality work that piece rate paid employees produce every hour is 5 pieces and the new comers are also required to produce at least 5 pieces of quality work after three months practice. However, if the new recruits could not get up to the speed they will not continue to work in this company in the future.

To sum up, in the food company both the owners and sixteen out of seventeen employees who are paid by piece rate thought that pay by piece rate improves employees’ production speed whereas it slightly reduces the quality of employees’ work. Moreover, employees suggested that work quality is more important than production speed when they are paid by piece rate so employees need to take more care of the quality of work when producing.

#### **4.4 Whether piece rate pay could enhance employees’ commitment**

The third research question, which was how the piece rate payment system affects employees’ commitment, will be addressed in this section. Again some interview questions will be designed to help deal with this. Specifically, question A9, C5 and C6 were to collect the data about what people think about pay for unsatisfactory work. Moreover, question A10 and C7 were to answer questions about the rate of employees’ absence and turnover. In addition, the information whether pay by piece rate enhances employees’ job satisfaction will be collected from questions A11, B4 and C8. This section will start by examining whether employees are committed to the food company when they are paid by piece rate. Then it will look at whether employees’ job satisfaction is affected by the piece rate payment system.

##### **4.4.1 Does pay for piece rate affect employees’ commitment to the company?**

Two coding reflected the question how pay by piece rate influences employees’ commitment. These are coding “pay for unsatisfactory work” and coding “the rate of employees’ absence and turnover”

In terms of the first coding, it showed that two out of seventeen employees who are paid by piece rate responded that paying for unsatisfactory work could enhance their commitment to the company because it is fair for everyone paying for his or her mistakes, which means no matter how slow (4 or 5 pieces of work per hour) or how

fast (7 or 8 pieces of work each hour) the employee produces, the results are the same. For example,

“Paying for unsatisfactory work reflects the fairness in this company...”  
(Interviewee 7)

However, the findings also revealed that only one employee who is paid by piece rate said the rule of paying for below quality work reduces her commitment to the firm because the policy is unreasonable. In other words, she believed every employee wants to produce quality work and produces unsatisfactory work only by accident so there is no reason for employees to pay for below quality work. For example, the following quote is from her:

“Paying for unsatisfactory work reduces my commitment to the company...”  
(Interviewee 8)

Moreover, it is significant to note that both the two owners and fourteen out of seventeen respondents who are paid by piece rate thought that there was no impact of paying for below quality work on employees’ commitment. This is because they mentioned that employees should be responsible for their products and for the company. The following two quotes are from two of them:

“It is the basic thing for employees to take the responsibility for their products...” (Interviewee 9)

“It is employees’ duty to take care of their products... (Interviewee 20)

As for the second coding, both piece rate paid employees and the owners provided their own ideas. According to the results of the coding, thirteen out of seventeen piece rate paid employees responded that they had not been absent for the last three months while there was one employee (interviewee 14) who said that the rate of their job absence was 3 percent in the last three months. However, all those fourteen employees mentioned that the rates of their absence have reduced compared with when they were paid by hourly. This is because they thought they could earn more if they produce more and they do not want to lose wages. While, interviewee 14 said he had an important personal matter so he did not go to work otherwise he would not absent himself from his work because under pay by piece rate he can earn more, which motivates him to go to work. For example,

“I do not like to be absent because... I do not want to lose the wages... Honestly, I did not want to go to work when I was paid by time rate ...” (Interviewee 14)

Moreover, it is significant to note that the findings also suggested that there were three higher employees absence rate, 6 percent, 8 percent and 10 percent respectively. More specifically, interviewee 15 said she her absence rate was 6 percent because she did not want to see three of her colleagues. In other words, all of them just smiled at to her and did not say anything and continued to produce when she asks her colleagues how to produce faster, which made her disappointed about the colleagues and the company so she absent. For instance,

“I do not like their working environment...” (Interviewee 15)

Moreover, interviewee 10 stated that his absent rate was 8 percent. He did not go to work because he said piecework makes him feel exhausted so he needs time to relax. Also he mentioned that he will probably go to another company if there is a job where he can earn the same as the food company or even less than the food company as long as it has a short holiday every year and it does not make me feel tired. For example,

“...I need time to relax... I can get new energy to continue to work in the next few days...” (Interviewee 10)

In addition, interviewee 17 said that her absence rate was 10 percent because she said she needs personal time and holidays with their families. Also she pointed out that the she will be more committed to the company if there are some days off during weekends. For example,

“The only thing that I hope is I could get more private time with my family and children...” (Interviewee 17)

In addition, from the findings it can be seen that the two owners responded that the rate of employees' turnover had increased 5 percent in the last two years, from 45 percent (two years ago) to 50 percent (the last two years). They explained that employees have a higher turnover rate due to employees failing to reach the quotas (5 pieces of quality work per hour in 20 days within one month) and some employees have been dismissed during the low season in order to save costs. Moreover, employees think their hard efforts do not pay off so they have left the company. In

addition, employees have changed to another company where they said they needed other rewards not only money.

#### 4.4.2 Does pay for piece rate affect your satisfaction with your job?

The coding “piece rate pay and job satisfaction” showed the impacts of pay by piece rate on job satisfaction from three perspectives. From piece rate paid employees’ perspective, eleven out of seventeen employees responded that pay by piece rate does not affect employee’s job satisfaction. Moreover, there was two out of seventeen piece rate paid employees who said that piece rate compensation increases employee’s job satisfaction. However, four out of seventeen piece rate paid people answered that piece rate payment demotivates them. Secondly, from time rate paid employee’s perspective, interviewee 18 thought that piece rate pay would give her job satisfaction. In addition, from the owners’ perspective, the two owners responded that piece rate has positive effects on employee’s job satisfaction.

Employees do not think pay by piece rate affects their job satisfaction because piece rate pay system does not serve as a motivating force to make employees like their jobs more. For example,

“My job satisfaction is not affected by piece rate pay. I produce more products and I attend work, simply because I want to earn more money.” (Interviewee 12)

Moreover, people think pay by piece rate enhances employees’ job satisfaction because pay by piece could assist people to meet their self-esteem and help employees earn more money, which motivates employees. The following quotes are from three of interviewees:

“Not only does everybody know how fast I produce but also I earn more money through pay for piece rate, which assists me meet my self-esteem and makes me feel happy” (Interviewee 7)

“Everyone can see my hard work, which not only increases my confidence and but also could encourage me to devote more efforts into my job.” (Interviewee 18)

“Piece rate pay leads to employees who want to earn more money liking their jobs more due to piece rate pay system motivates them to produce more.” (Interviewee 19)

However, it is important to report that four of the respondents who are paid by piece rate thought that pay by piece rate has a negative effect on their job satisfaction because Interviewee 10 said that piecework makes him feel tired so he does not like his job as before (when he was paid by time rate) and interviewee 15 pointed out that she was dissatisfied with her working environment. Interviewee 5 and interviewee 7 said that they are underpaid by piece rate payment, which makes them dissatisfied.

In conclusion, although there were three respondents who are paid by piece rate paid in the food company that thought that paying for unsatisfactory work affects their commitment to the company, both the two owners and fourteen out of seventeen piece rate paid employees responded that there was no effect of paying for below quality work on employees' commitment. Moreover, the results also suggested that although the rate of employees' absence rate had declined in the last three months, the rate of employees' turnover had increased in the last two years. In addition, in terms of whether pay by piece rate affects employees' job satisfaction, a quarter of people who work for the food company thought that it decreased employees' job satisfaction, while similar numbers of employees pointed out employees' job satisfaction was enhanced by piece rate payment. However, half of the people reported that pay by piece rate does not affect employees' job satisfaction.

#### **4.5 Conclusion**

From the above findings it can be seen that all of the three research questions have been dealt with in this chapter. More specifically, in this study two-thirds of employees who work for the company perceived piece rate payment is fair contrasted with previous hourly paid. Additionally, the quality of employees' work has slightly declined under piece rate payment whereas pay by piece rate encouraged employees to produce faster. Moreover, only 15 percent of employees thought piece rate payment system increased their commitment to the company.

## 5. DISCUSSION

### 5.1 Introduction

The aim of this chapter is to compare the findings from results in the previous chapter with the existing literature from the literature review chapter. This chapter will be divided into three parts to discuss the three research questions. Firstly, it will discuss the comparison of pay by piece rate and pay by time rate and whether piece rate payment system is fair. Secondly, it will address how the piece rate payment system affects work quality and production speed. Thirdly, whether employees' commitment can be enhanced by piece rate payment will be debated.

### 5.2 Compared to time-based pay whether employees perceive pay by piece rate is fair

This section is going to discuss the first research question in terms of previous literature.

#### 5.2.1 The differences between time rate and piece rate

Based on the findings comparing the difference between time rate and piece rate, all participants responded that time rate pay is based on the time that employees spend in their jobs but pay by piece rate depends on the results of employees work, which confirmed Rubin and Perloff's research that time rate pays employees by how long employees work whereas piece rate pays employees by how many pieces of quality work they produce (Rubin & Perloff, 1993).

Moreover, the current study also suggests that pay by piece rate could encourage employees to put more efforts into their work than time rate paid employees. This result supported Hu's study that piece rate paid employees are willing to devote extra efforts into their work compared to time-based paid employees (Hu, 2011). In addition, a further finding of this research suggested that employees have a relatively stable job under pay by time rate compared to piece rate. This finding supported the research in the literature review that compared with piece rate paid employees time-based paid employees have a higher job security (Hu, 2011).

#### 5.2.2 Comparing the ratio of employee's inputs to their outcomes with people

As was stated in the literature review piece rate paid employees are willing to compare the ratio of their inputs to their outcomes with themselves or their colleagues

who are in the same position as them in order to know whether they are paid fairly (Liu, 2012). The current research suggested that two-thirds of the employees who are paid by piece rate believed that pay by piece rate is fair when they compare the ratio of their inputs to their outcomes with both their previous hourly paid wages and their colleagues. This is because their wages that they earn are equivalent to the price of the work they produce so they thought pay by piece rate is fair. This result supported Liu's research (Liu, 2012). In addition, in this research employees also mentioned that their performance has been improved because they are paid equivalent. This result agreed with Liu's and Adams' research that employees would be demotivated if they feel unfair (Liu, 2013; Adams, 1965).

However, one-third of the interviewees who are paid by piece rate in the food company highlighted that they perceive pay by piece rate is unfair, which is the same result as Wei's study mentioned in the literature review that it is unfair for those employees who work naturally slowly because although all employees devote the same inputs into their jobs, those employees who naturally produce slowly cannot gain the same outcomes as other colleagues who can produce faster than them (Wei, 2012).

### 5.2.3 Does pay for piece rate work for employees?

In the food company all piece rate paid employees pointed out that the financial information in the food firm is not transparent, which confirmed Li's research that all the manufacturing companies that pay employees by piece rate do not share their financial information with employees as employers think it is unnecessary for employees to know other financial information apart from their wages (Li, 2006). Moreover, the results of whether employees are satisfied with piece rate payment system showed that 70 percent to 80 percent of employees who are paid by piece rate are happy with piece rate system because they can earn more and they are paid equitably under piece rate payment, which supported both Liu's and Wei's studies that people who think they are paid fairly by piece rate are happy with piece rate (Liu, 2012; Wei, 2012).

However, the results showed that 20 percent to 30 percent of the employees are dissatisfied with piece rate because they thought they are paid unfairly and there is lack of holidays. This supported Liu's and Wei's researches that people who do not perceive they are paid equally by piece rate are dissatisfied with piece rate payment (Liu, 2012; Wei, 2012). In addition, the findings also supported Herzberg's two-factor

theory that employees will not be motivated if there are no motivators such as holidays (Herzberg et al., 1959)

In conclusion, it can be seen that all the findings about fairness and piece rate payment system in the food company supported previous literature, such as piece rate payment is fair confirmed with Liu's study (Liu, 2012) and the finding that employees will be motivated to have a better performance if they are paid fairly agreed with Liu's research (Liu, 2013).

### **5.3 The impacts of piece rate pay on the relationship between work quality and production speed**

The aim of this part is to deal with the second research question.

#### **5.3.1 The effects of piece rate pay on employee's production speed**

The current research highlighted that pay by piece rate affects employees' production speed. More specifically, the results from interviews illustrated that almost all employees' production speed has been increased after they are paid by piece rate. However, one piece-rate paid employees' production speed has decreased after increasing but it is still higher than before when he was paid by time rate. There were different reasons why pay by piece rate increases employees' production speed in the food company. Firstly, they want to reach the equity situation so piece rate payment motivates them to produce faster, which correlated with Andrews who advocated that underpaid employees tend to produce faster because they want to achieve equity (Andrews, 1967). Secondly, employees would like to reach their expected wages and meet self-esteem so they have a higher productivity, which is emphasized by Lawler's study (Lawler, 1967).

However, it is significant to note that a statement from an interviewee that pay by piece rate reduces his speed of producing due to he wants to decrease the feeling of inequity, which confirmed Wood and Lawler's study and Ng and Shi's study that overpaid employees tend to get back equity by reducing their productivity (Wood & Lawler, 1970; Ng & Shi, 1995).

#### **5.3.2 The effects of piece rate pay on employee's work quality**

The results from the interviews showed that the two owners and almost all of the employees who are from the food company think that pay by piece rate has a negative



effect on work quality, which supported Adams and Jacobsen's research that the quality of work that piece rate paid employees produce is lower because they are too much focus on the speed (Adams & Jacobsen, 1964). However, the evidence from one employee was he thought the quality of his work is higher because he wants to get back equity and his slower working speed. This is similar to the result of Ng and Shi's studies that work quality will be improved if employees produce slowly for the sake of getting back equity (Ng & Shi, 1995).

### 5.3.3 How to balance production speed and work quality

The findings from employees who are paid by piece rate suggested that employees should take work quality more into account when they are working. This result is the same as Li's study, which is even though both production speed and work quality determine whether employees can earn wages, work quality is more crucial than production speed (Li, 2006).

In conclusion, in this research, all the findings about the effects of pay by piece rate on work quality and production speed from employees and owners supported previous research. From the findings we can see that the two owners and almost all of the employees perceived the piece rate payment system accelerates employees' production speed whereas the quality of work is lower under it. Moreover, they suggest that employees need to pay more attention to work quality when producing.

## 5.4 Whether piece rate pay could enhance employees' commitment

This section will help to deal with the third research question.

### 5.4.1 Does pay for piece rate affect employees' commitment to the company?

The main findings of this research showed that fourteen out of seventeen piece rate paid employees and all the owners perceived that paying for below quality work does not affect employees' commitment to the company. This correlates with Cong who advocated that employees paying for their mistakes are reasonable because employees have a duty to take care of the products that they produce so it does not affect employees' commitment (Cong, 2006).

However, it is important to note that the current study also pointed out that paying for unsatisfactory work reduces employees' commitment due to employees producing unsatisfactory work by accident so it is unreasonable for them to pay for

the below quality work. This finding supported Wei's study that paying for unsatisfactory work could reduce employees' commitment to their firms (Wei, 2012).

In addition, only one piece-rate paid employee in this research responded that paying for below quality work makes her become more committed to the food company. This confirmed Xuan's research that the policy of employees paying for below quality work reflects the fairness of the company (Xuan, 1964).

The results from the interviews also showed that in the food company most piece rate paid employees have a lower rate of absence because they want to earn more. This result agreed with Zhang's and Liu and Mill's studies that piece rate paid employees would like to go to work due to they will earn more if they produce more (Zhang, 2008; Liu & Mills, 2007). However, the research from Hu (2011) and Peng (2012) as well as the responses from participants seem to support two-factor theory by Herzberg, which argues that employees do not go to work if there is lack of hygiene factors such as poor working environment and lack of motivators such as days off (Herzberg et al., 1959).

#### 5.4.2 Does pay for piece rate affect your satisfaction with your job?

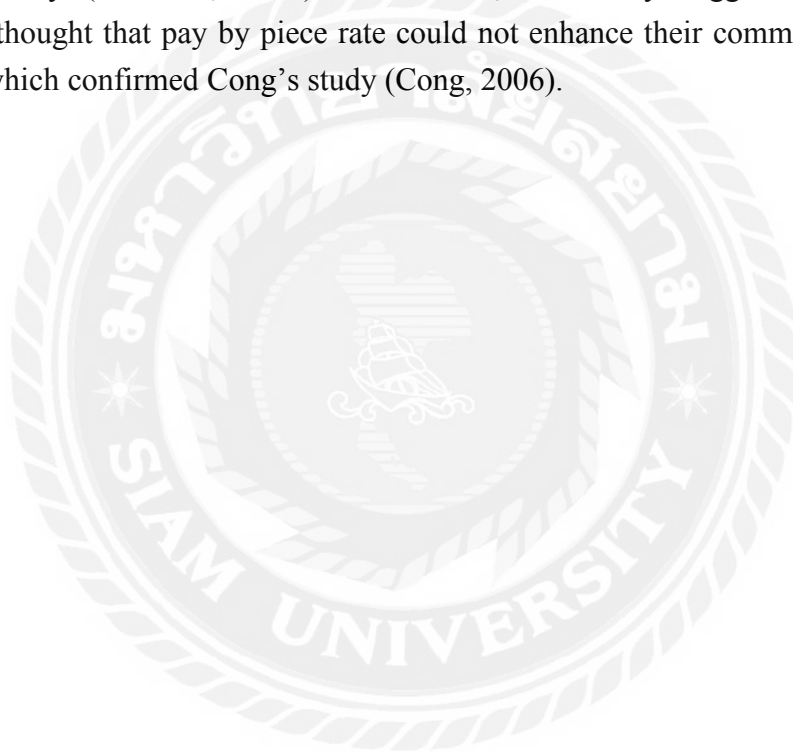
In line with Zhang's study half of the people who work for the food company stated that pay by piece rate does not affect their job satisfaction because pay by piece rate cannot make people enjoy their jobs more so pay by piece rate does not have any effects on employees' job satisfaction (Zhang, 2008). In addition, the findings also suggested two employees and two owners stated that pay by piece rate could increase job satisfaction of those employees who want to achieve their self-esteem, which supported Tong and Zhang's study (Tong & Zhang, 2010). However, some employees said that their job satisfaction was reduced by piece rate payment system, which confirmed Heywood and Wei's work that piece rate paid employees are not happy with their jobs because piecework requires employees to put more effort into their jobs (Heywood & Wei, 2006). Moreover, Chen (2004) identified that employees' job satisfaction will be decreased due to an unhappy working environment.

From the above discussion, therefore, it can be see that all the findings about piece rate payment and commitment support the research in literature review. More specifically, fourteen out of seventeen employees thought paying for below quality has not affected their commitment to the food company, which confirmed Cong's study (Cong, 2006). Moreover, this research showed that some people thought the rate of turnover has increased due to lacking motivators, which supported Herzberg's

two-factor theory (Herzberg et al., 1959). In addition, 50 percent of employees perceive piece rate payment did not affect their job satisfaction, which confirmed Zhang's study (Zhang, 2008).

### **5.5 Conclusion**

In conclusion, all of the three research questions were addressed and all the findings that were collected from the interview supported previous research in the literature review. More specifically, this research showed that two-thirds employees thought pay by piece rate is fair, which supported Liu's research (Liu, 2012). Moreover, pay by piece rate improves employees' production speed, which confirmed Andrews' study (Andrews, 1968). In addition, this study suggested that most employees thought that pay by piece rate could not enhance their commitment to the company, which confirmed Cong's study (Cong, 2006).



## **6. CONCLUSION AND REFLECTIONS**

The purposes of this chapter are to conclude the key findings of this research and to provide some useful suggestions for the case study food company. This chapter will start with summarizing the findings from previous chapters. Then the strengths and limitations of this research will be discussed before providing some key recommendations for the food company.

### **6.1 Summary of findings**

In order to conduct the research, a case study approach has been taken in this study. This research was to probe how pay in the case study food company affects performance. This research particularly intended to explore three detailed questions. The first one was how employees think the piece rate payment system that is applied in the food company, is fair for them or not? The second question was how pay by piece rate affects the relationship between work quality and production speed and thirdly, whether employees who work for the food company think that piece rate pay could increase their commitment to the company.

#### **6.1.1 Whether being paid for piecework is fair**

In this research, although 10 percent of employees complained about the piece rate payment system, 90 percent of employees in the small catering company thought pay by piece rate works for them. This is because employees said pay by piece rate could motivate them to produce more, which helps employees earn more. Moreover, even though there were a few employees who pointed out that piece rate is unfair, two-thirds of piece rate paid employees perceived paid by piece rate is fair when they compared it with their previous hourly pay and their colleagues who are paid by piece rate because employees thought they can earn exactly what they produce at the moment whereas in the past (time rate) their outcomes did not match their inputs.

### **6.2 The relationship between work quality and production speed under piece rate payment system**

In this study, both the two owners and most of the piece rate paid employees perceive the quality of work that employees produce has slightly declined after they are paid by piece rate, which means pay by piece rate has a negative impact on work quality. However, the quality of work has reduced slightly as a result of the food company quality requirements.

In addition, although only one employee who is paid by piece rate thought his production speed had decreased, it was still quicker than before (time rate pay). However, almost all of the employees who are paid by piece rate and all the two owners who are in the case study food company perceived that the speed of production has improved after they are paid by piece rate.

In other words, almost all think pay by piece rate has a positive effect on employees' production speed.

Therefore, the quality of work has mildly declined under pay by piece rate whereas employees' production speed has shown a significant improvement, which means pay by piece rate has a positive effect on the overall production speed and work quality. According to Liu and Mills (2007), employee's performance could be measured by their speed of producing and the quality of their work. Therefore, pay by piece rate improves employees' overall performance.

### **6.3 Whether pay by piece rate can enhance employees' commitment to the company**

Even though three out of seventeen piece rate paid employees who work for the food firm perceived paying for below quality work influenced their commitment to the firm, the other fourteen out of seventeen employees answered that paying for unsatisfactory work does not affect their commitment to the company. Additionally, although during the last three months the rate of employees' absence has decreased, the rate of turnover has increased in the last two years. In other words, in the last two years the number of employees who have left the company has increased, which means employees' commitment has reduced. In addition, even though 15 percent of employees said their commitment was enhanced by pay by piece rate, the other 85 percent of employees did not think pay by piece rate has a positive effect on their commitment.

In conclusion, in the case study food company, two-thirds of the employees believed paying by piece rate is fair compared with previous time-based pay. Moreover, pay by piece rate has a mildly negative effect on work quality whereas the piece rate payment system has a strong positive impact on employees' production speed. In addition, only 15 percent of employees thought pay by piece rate makes them more committed to the food company.

#### **6.4 Strengths and weakness of this research**

Three strengths showed in this research. First of all, this research saved both money and time, which means it was economical. In addition, I have adopted telephone interviews when I the data was collected, which saved both travel fares and travel time. Moreover, this research was based on a small food company, which made it easy to collect data. In addition, the semi-structured interviews that were adopted helped to get more profound and correct information, which helped to explore the topic effectively (Bryman, 2012). More specifically, the interviewees provided much useful information during the process of interviewing. Also the accuracy of the respondents' answers could be assessed through their facial expression.

There were also some limitations in this research. First of all, the sample of this research was small, which meant the results of this research can only represent the food company itself and not other companies (Bryman, 2012). Moreover, the results of this research had bias (Fogelman, 2002). This is because this study used semi-structured interviews method to collect data so apparently the consequences of the study were the reflections of how people who are working in the food company see the company. In addition, the number of respondents who are paid by time rate was limited (Bryman, 2012).

#### **6.5 Reflections**

Considering the literature, some areas need to be developed. For example, based on the evidence from the literature review, commitment can enhance their performance as it can encourage employees to exert their best capacity to their work (Qureshi et al, 2011). Furthermore, piece rate paid employees will commit to their companies if they have basic pay (Hu, 2011). However, employees who work in the Hebei catering company do not have basic pay. In other words, the food company only pays employees by the pieces of quality work that they produce. It is, therefore, a problem that needs to be addressed by the food company.

In addition, the literature review has provided the evidence that the group piece rate payment system not only can enhance employees' commitment but also can encourage employees to cooperate with others (Chen, 2004). However, employees are paid by personal piece rate and the pattern of work in the small catering company is individual work, which leads to employees not wanting to share information with others. The payment method and work pattern, therefore, needs to be dealt with.

There is another important piece of evidence from Herzberg's two-factor theory in the literature review that employees can be motivated by motivators such as holidays, achievement and promotion (Herzberg et al., 1959). However, employees only are rewarded by money in the food company, which means there is no trip reward, no holiday and no promotion, which leads some employees to not have motivation to work. Other rewards, therefore, need to be considered by the owners.

In conclusion, there are some potential problems in the food company's payment system such as personal piece rate pay, lack of basic pay and lack of motivating factors.

## **6.6 Recommendations**

In order to use pay to motivate employees to improve their performance the food company needs to deal with the problems with the current payment method. Therefore, based on the above conclusions and the reflections some useful recommendations for the Hebei food company can be made:

1. Other types of working patterns need to be considered such as group work.
2. The food company needs to consider adopting basic pay, trips or short holidays in order to motivate employees.
3. Employees should be encouraged to share information with their colleagues about how to produce faster.
4. Reachable average numbers of piecework should be set, which are attainable.
5. The owners should communicate with employees regularly in order to understand what employees need and, then according to the things that employees need, reward them individually.
6. The owners should take motivating employees' performance into account when they set rewards.

It is hoped that the above recommendations will not only help the company's owners set a good payment system in order to motivate employees have a good performance but also assist employees to have a positive mood when they are working to produce more good quality work.





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## Appendix 1

### Informed Consent Form

Name: Xiaoyang Liu

Institution: University of Siam

Department: IMBA

Project title: To what extent does pay influence performance in Small-Medium enterprises: a case study of a small food company in Hebei

As a respondent, nobody compels and deceives me to take part in this interview and I am free to choose the interview by myself.

I have been told that I have the right to refuse answer some questions and I can freely withdraw at any time.

I have been told that I have the right to know the result of the interview data and how the data are going to be used.

Sign and Date:

Researcher: -----

Sign and Date:

Participant: -----



## **Appendix 2**

I am a postgraduate student who is studying in university of Siam faculty of International Business Management. This interview will help me do my dissertation. Thank you for your participation.

**Interview Questions A for those employees who work in this food company more than three months** (employees are paid by time rate in the first three months when they arrive the firm because they need three months to understand and practice their work. After that they are paid by piece rate)

**How does the piecework system compared with old system (hourly paid)?**

What are the differences between time rate pay and piece rate pay?

Do you think employees' present ratio of their input to their outcomes to be equivalent to previous hourly pay?

**Does pay for piece rate work for you?**

In terms of the ratio of input to the outcomes, do employees believe that they are treated the same as their colleagues who are in the same position as them?

From employee's perspective, do employees trust the financial information being transparent in this company? Why?

To what extent are employees in this firm happy with piece rate pay system?

**Does pay for piece rate work for you?**

To what extent does pay for piece rate affect the speed of producing?

To what extent does pay for piece rate affect work quality?

From employees perspective, how do employees balance the speed of producing and work quality? How many pieces can you produce per hour while maintaining the quality?

**Does pay for piece rate affect your commitment to the company?**

As for employees need to pay for the below quality work that they produced. Does this affect employees' commitment to the company?

What is your rate of absence in the last three months? If you were absent, what were the reasons for your absence?

**Does pay for piece rate affect your satisfaction with your job?**

Do employees think pay for piece rate affect their job satisfaction?



### **Appendix 3**

I am a postgraduate student who is studying in university of Siam faculty of International Business Management. This interview will help me do my dissertation. Thank you for your participation.

**Interview Questions B for those employees who work in this food company less than three months** (employees are paid by time rate in the first three months when they have been working for the firm. Starting from the fourth month employees are paid by piece rate)

**How does pay for piece rate comparing with pay for hourly?**

Compared with your colleagues who are paid by piece rate, do you think the ratio of your input to your outcomes to be equivalent to them? Why?

Comparing with pay for piece rate employees, which payment method do you prefer? Why?

**Will pay for piece rate work for you?**

Are you worried about pay for piece rate? Why or why not?

**Will pay for piece rate affect your satisfaction with your job?**

Do you think pay for piece rate will make you satisfied with your job? Why or why not?



## **Appendix 4**

I am a postgraduate student who is studying in university of Siam faculty of International Business Management. This interview will help me do my dissertation. Thank you for your participation.

### **Interview Questions C for the owners**

#### **How does the piecework system compared with old system (hourly paid)?**

Have employees complained about the piece rate system since the changing from hourly pay to piece rate pay?

To what extent do employees change the speed of producing when the payment has changed from pay for hourly to pay for piece rate?

To what extent has work quality being changed since the payment has changed from pay for hourly to pay for piece rate?

From owner's perspective, how many pieces do you think employees who are paid by piece rate could produce in general while maintaining work quality?

#### **Does pay for piece rate affect employee's commitment to the company?**

From owner's perspective, do you think it is reasonable for employees to pay the unsatisfactory work that they produced?

Does pay for below quality work affect employee's commitment to the company?

How much is the rate of employee turnover in last two years? Are there any changes of turnover rate compared with two years ago?

#### **Does pay for piece rate affect employee's satisfaction with their job?**

From owner's perspective, does pay for piece rate affect employees satisfaction with their jobs?

## **Appendix 5**

Transcripts from interviewee 7 who is working for the food company more than three months.

**Do you think employees' present ratio of their input to their outcomes to be equivalent to previous hourly pay?**

Well, in my opinion, I think the ratio of employees' current inputs to their outcomes is equivalent to their previous time rate paid. This is due to employees earn more than before when they are paid by time rate. For example, I am earning more than before when I was paid by time rate. Obviously, I am devoting more effort than before, but I still think the ratio of employees' current inputs to their outcomes is equivalent to their previous hourly paid.

From employee's perspective, do employees trust the financial information being transparent in this company?

**From employee's perspective, do employees trust the financial information being transparent in this company?**

Well, from my point of view, I think employees do not trust the firm's financial information is being transparent. This is due to employees only having been told the price of per piece. While, for other financial information employees do not know.

**To what extent are employees in this firm happy with piece rate pay system?**

Um, in my experience, I suppose most of people are satisfied with piece rate pay about 80 percent. Because most of people want to earn more while pay for piece can help them earn more so they are satisfied with piece rate. But some people (20 percent) do not like piece rate pay due to they think they earn less than their colleagues but when they are paid by time they earn the same as their colleagues.

**What are the differences between time rate pay and piece rate pay?**

Um, from my point of view, I believe that piece rate is more fair for employees who can produce more, this is due to they can earn more if they produce more. On the other hand, under time rate employees earns the same as others, which means there is no different between more productive employees and less productive. What is more, employees under time rate pay is less productive than piece rate pay. This is due to nobody wants to work more if they earn the same.

**In terms of the ratio of input to the outcomes, do employees believe that they are treated the same as their colleagues who are in the same position as them?**

Well, for my point of view, I think as for the ratio of employees' inputs to their outcomes, employees are treated the same as their colleagues, such as me compared with other colleagues who are in the same position as me, I think I am treated the same as them. More specifically, the outcome that I get matches the effort that I devote. Even though I know some people earn more than me, they devote more than me. Well basically, if I devote the same as them I will get the same as them. However, I earn more than those who devote less than me. In this case, I think piece rate is fair for every employee. Therefore, compared with my colleagues, I think I am treated the same as them.

**To what extent does pay for piece rate affect the speed of producing?** Well, I think piece rate pay system encourages me to enhance my production speed. This is due to I want to perform better than my colleagues, which could give me confidence. That is to say, I improve the speed of producing to meet my own needs.

**To what extent does pay for piece rate affect work quality?**

Um, I am a little bit silly because I want to show my colleagues how fast I can produce but I forgot we have quality criteria. Honestly, the work quality has increases 6 percent, from 99 percent to 93 percent. You know I think I produce fast so I neglect the quality of productions. Well, I know in the future I need to focus on both production speed and work quality.

**From employee's perspective, how do employees balance the speed of producing and work quality?**

Um, I think the work quality is the most important thing for piece rate paid employees. This is due to if all the pieces of work are good quality, employees can earn more easily. On the other hand, if employees produce below quality work they need to pay for the work, which reduces their wages.

**How many pieces can you produce per hour while maintaining the quality?**

For me, I can produce 6 pieces of quality per hour while maintaining the quality of work.

**As for employees need to pay for the below quality work that they produced, does this affect employees' commitment to the company?**

Um, I think pay for below quality work, to some extent, affects employees' commitment to the company. Well, I mean at least it enhances my commitment to the firm. This is due to paying for unsatisfactory work reflects the fairness in this company. In other words, no matter how slow (4 or 5 pieces of work per hour) does the employee produce or how fast (7 or 8 pieces of work each hour) do the employee work, he or she needs to pay for the products that with fault. Under this situation, everyone feels fair. In addition, pay for below quality work encourages employees to guarantee the quality of work, which could enhance their

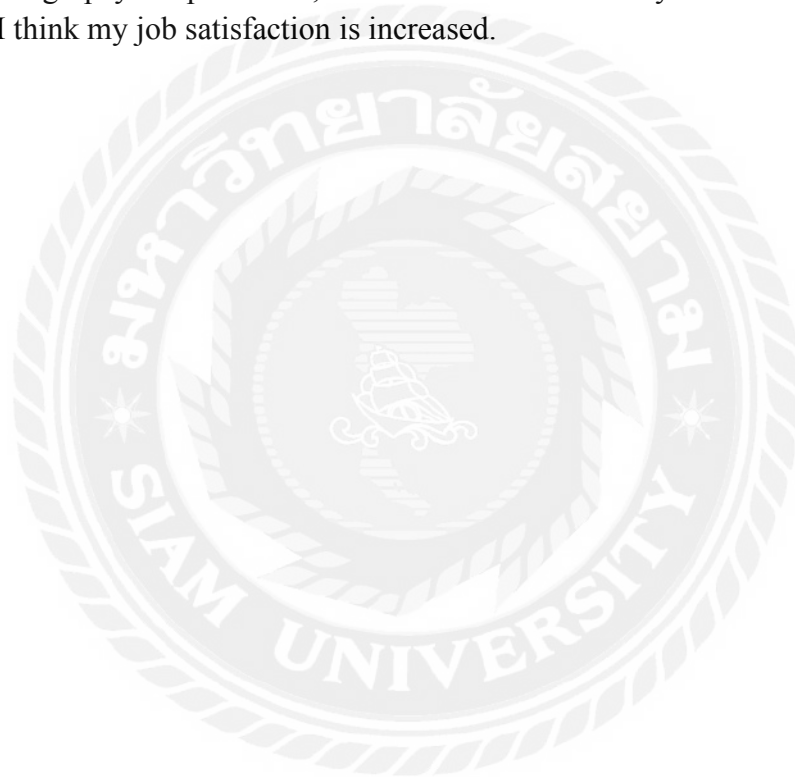
responsibilities to the company. Thus, I think it enhances me to be more committed to the company.

**How many percent of your attendance in last three months?**

In last three months, I go to my work every day. That is to say, the rate of absence was zero, which is lower than before when I was paid by piece rate.

**Whether employees think pay for piece rate affect their job satisfaction?**

Um, I think piece rate affects my job satisfaction, I mean piece rate increase my job satisfaction. This is due to not only everybody knows how fast do I produce but also I earn more money through pay for piece rate, which assists me meet my self-esteem and make me feel happy. So I think my job satisfaction is increased.



## **Appendix 6**

Transcripts from interviewee 18 who is working for the food company less than three months.

### **Compared with your colleagues who are paid by piece rate, do you think the ratio of your input to your outcomes to be equivalent to them?**

Well, I think the ratio of my input to my output is not equivalent to my colleagues who are paid by time rate. To be frank, personally, I think the ratio of mine is higher than those piece rate paid colleagues. But I don't want to say the truth because 30 percent of piece-rate paid employees who devote more effort than me but they earn a little bit more than me (only 20 percent more than me). So I think the ratio of my inputs to my outcomes is higher than those 30 percent of people who are paid by piece rate. I just came to this company for one month and my wages are based on the times that I contributes to the work so it is does not matter how much effort I put to my work as long as I can reach 3 pieces of work per day and I can earn the fixed wages. However, for those piece rate paid employees they need to devote more effort if they want to earn more

### **Comparing with pay for piece rate employees, which payment method do you prefer? Why?**

Um, honestly, in the long term I prefer to pay by piece rate compared with time rate pay due to piece rate could encourage me to produce more pieces of work, which can assist me earn more make me feel happy. Well, even though at the moment I prefer time rate pay coz I am a new employee for this work, I assume that in the future when I can proficient to produce faster I will prefer piece rate pay

### **Are you worried about pay for piece rate? Why or why not?**

Well, for me, I am not worried about piecework pay. On the other hand, I am looking forward to paying by piece rate. This is due to piece rate pay system pays employees by how many pieces of work do the employees produce. Under this situation, I can produce more in order to meet my target, which is I want to earn more money to buy more toys and milk powder for my two-year old daughter. I am a new employee at the moment but I am on the way to get to know how to produce fast, I am sure after these three months practice I could produce faster in the future. So I am looking forward piecework.

### **Do you think pay for piece rate will make you satisfied with your job? Why or why not?**

Yes, basically, I think piece rate pay would make me satisfied with her job. This is due to in that case, everyone can see my hard work, which not only could increase my confidence and but also could encourage me to devote more efforts into my job.



## **Appendix 7**

Transcripts from interviewee 19 who is the owner of the food company

### **Have employees complained about the piece rate system since the changing from hourly pay to piece rate pay?**

Well, I think there is no one payment system that all people like. So yes some people complained about piece rate but you know it is common. Um, I remember about 11 percent of employees have complained about the payment system due to 6 percent of them said they earn less than what they should have earned, which means they think their outcomes are not match their inputs. Put it in another way, they said they devoted loads of inputs to their jobs but they did not earn much more (20 percent more than before). What is more, another 5 percent of them said they want to have some holidays during the years because when they work they are under pressure all the time, which makes feel tired particularly, during the peak season. However, the other 89 percent of employees did not complained about piece rate pay.

### **To what extent do employees change the speed of producing when the payment has changed from pay for hourly to pay for piece rate?**

Um, 90 percent of employees who are paid by piece rate increase their production speed after changing from hourly paid ( average 3 pieces of quality work per hour) to piece rate pay (average 5 pieces of quality work per hour). I guess there are two reasons. Firstly, after three months practice employees get to know the techniques to produce fast, obviously they could produce faster than before (time rate). Secondly, piece rate pay system drives employees produce faster due employees want to earn more money, meet their self-esteem and protect their jobs. However, for the other 10 percent of employees produce really fast (produce 7 to 8 pieces of work per hour) at the beginning of payment system changing but because 30 percent of products were below quality work so they slow down their speed to 6 to 7 pieces of quality work per hour. Therefore, the overall production speed is increasing after piece rate pay.”

### **To what extent has work quality being changed since the payment has changed from pay for hourly to pay for piece rate?**

Well, as I mentioned just now, employees tried their best to produce fast, which leads to low quality. Um, generally speaking, the quality of work has declined around 4 percent from 99 percent to 95 percent.

### **From owner’s perspective, how many pieces do you think employees who are paid by piece rate could produce per hour in general while maintaining work quality?**

Um, generally speaking, employee could produce 5 pieces of quality work per hour and that is why we require employees who are paid by piece rate need to reach the average number of quality work (5 pieces of quality work each hour). More specifically, employees need to produce average 5 pieces of quality work every hour and they need to continue 20 days within one month. Employees will be dismissed if they cannot reach the quotas. While for the new comers, they are also required to reach average 5 pieces of quality work per hour after 3 months later. They will be not allowed to continue to work in this company if they cannot reach.

**From owner's perspective, do you think it is reasonable for employees to pay the unsatisfactory work that they produced?** Well, from my point of view, it is reasonable for employees to pay for the work with fault. There are three reasons. First of all, it is fair for all employees due to no matter how fast (7 or 8 pieces per hour) or how slow (4 or 5 pieces per hour) the employee works, all of them need to pay for their work if they produce below quality work, which means all employees are treated the same. Secondly, paying for unsatisfactory, to some extent, protects the company from losing profit. In other words, it assists company save cost. This is because the company does not need to pay for the wasted materials. Thirdly, it is a rule that reminds employees to guarantee the quality of products.

**Does pay for below quality work affect employee's commitment to the company?**

Well, I do not think it will affect their commitment to the company. As I said they need to take care of what they do. It is their fault if they produce below quality work. Moreover, they need to pay for that so I do not think they will become less committed to the firm.

**How much is the rate of employee turnover in last two years?**

Um, in last two years the turnover rate in my company is around 50 percent, which means half of the employees have left this firm. There are many reasons why people have left this company such as personal reasons and failed to reach the quotas.

**Are there any changes of turnover rate compared with two years ago?**

Well yes the turnover rate has increased compared with two years ago, from 45 percent to 50 percent.

**From owner's perspective, does pay for piece rate affect employees satisfaction with their jobs?**

Um, well, I think piece rate has different effects on different kinds of people. For example, in my company, piece rate decrease some people's job satisfaction (20 percent) due to they think they are underpaid by piece rate. However, piece rate pay leads to employees who want



to earn more money more like their jobs due to piece rate pay system motivate them produce more.

