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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.