

When my pay is lower than my expatriate colleagues: Where do we go from here?

Introduction

Globalization has given rise to the proliferation of Multinational Corporations (MNCs) in the hospitality industry. The increasing globalization of the service markets has enabled multinational hospitality corporations to expand beyond their usual borders of operation (Sun & Lee, 2013). MNCs including hotel corporations rely upon the performance of expatriates' professional knowledge and management skills for success in expatriate assignments. However, studies show that there is a high rate of expatriate failure in MNCs (Haile & White, 2019) including multinational hospitality corporations (Hon & Lu, 2010, 2015). The failure of expatriates is due to a myriad of factors which stem from socio-economic and politico-economic landscapes, legal systems (Iyer & Jarvis, 2019), the cultural distance between the host and developing countries, and poor interrelationships between expatriates and their local subordinates (Tao, Xu, & Liu, 2020). As the hospitality industry is very competitive and human-centred, the MNCs usually place expatriates with relevant expertise in strategic or key positions to ensure the success of hospitality operations (Leung, Zhu, & Ge, 2009; Leung, Lin, & Lu, 2014).

Over the past four decades, China has seen a rise in foreign businesses and foreign direct investments (FDI) (Cooke, Liu, Liu, & Chen, 2019). This has brought about a radical change in management practices and leadership styles in organisational management and human resource composition. With this, studies on expatriate activities, compensation, and their interrelationships with local employees have become an important issue since it partly determines the success of MNCs by attracting, motivating and maintaining skilled and valuable expatriate employees (Maley, Moeller, & Ting, 2020). A usual practice among MNCs that commonly result in perceived injustice among

employees is the setting of remuneration based on the home-labour market conditions. Coupled with the diversity of cultural background, employees in service-oriented jobs become sensitive to trust, equity, and fair treatment (Hon & Lu, 2010; Lambert, et al., 2020) they receive from the organization and expatriates. Over the years, there remains a large gap between the compensation of expatriates and local employees that needs research attention. Expatriates are paid over 10 times higher than their local counterparts as indicated by Leung, Zhu, and Ge, (2009). The remuneration of local employees is based on the local labour market conditions while the remuneration of expatriates is set according to the market conditions in their home countries (Cooke, Liu, Liu, & Chen, 2019) which is usually higher than the local market conditions. Due to the use of this country-based compensation system, the compensation gap between an expatriate and a local employee with the same position is usually large. The effect that such a disparity has on work outcomes, therefore, needs to be well understood in hospitality contexts (Spagnoli, 2020).

Based on the reflection theory of pay, employees read more meanings into compensation including motivation to work, and the relative position in the organization (Thierry, 2001; Kang & Shen, 2018). Perceived injustice due to compensation disparity will consequently affect work performance outcomes among the local workforce of the hospitality industry (Leung, Wang, & Hon, 2011). Evidence suggests that the perceived unfair disparity in compensation can result in workplace deviance (Bennett & Robinson, 2000; Hon, Lu, & Chan, 2015), low level of creativity (Hon & Lu, 2015), poor job performance, and quitting intention (Leung, Wang, & Hon, 2011). Moreover, Reflecting on Adams' (1965) equity theory and Blau's (1964) social exchange theory, local employees generally compare their outcome-input ratio to their expatriate counterparts to determine perceived under reward which can lead to undesired work outcomes (Adams, 1965; Kang & Shen, 2018; Kahn et al., 2013). Among all local Chinese employees, social comparison is important and thus reforms their

cognitive appraisal (Jin & McDermott, 2013; Tao, Xu & Liu, 2020) such that, when the local employees perceive an unfair significant expatriate-local compensation gap, their emotions towards their organization may change leading to pessimistic attitudes (Kahn et al., 2013). With this, reduction in the motivation of work performance towards the organization and an expatriate is inevitable and may cause deviant behaviors, service sabotage or antisocial behaviors affecting the service quality of the local employees (Harold et al., 2016; Park & Kim, 2019). Though this is very important to the success of MNCs, the study by Jiang, Lin, Liu, and Xu, (2019), and Kang and Shen's (2018) systematic review show that compensation disparity and its effects have not received the needed attention in both business management and hospitality fields. Accordingly, to fill this gap, this study examines the extent of compensation disparity on work outcomes of local employees in multinational hotel corporations in China. Also, some non-financial factors that have the potential to weaken the negative effects of compensation gap are important as MNCs find it difficult to either increase the pay of local employees or reduce that of the expatriates to shrink the disparity issue (Leung, Zhu, & Ge, 2009). Traditional values and factors like power distance are identified as non-financial factors that can reduce the effect (Hon, Lu, & Chan, 2015). Similarly, the inclusive climate in an organization is found to buffer such negative effect (Leung et al., 2011). Moreover, the mediating role of trust has also been established (Hon & Lu, 2010). With the vital role played by trust, its moderating role in this relationship will be important to understand and apply in strategic human resource management areas. Therefore, we pay special attention to the extent to which various work outcomes are affected by the compensation gap and trust. Here, the study identifies the role played by trust in influencing the relationship between the compensation gap and four work outcomes (satisfaction with expatriates, altruism towards expatriates, job satisfaction, and organizational commitment). This study thus sheds light on ways that trust-building can help ameliorate negative work outcomes resulting from perceived compensation gap

among local employees. The rest of the study is organized as theoretical background and hypotheses development, methods, results, general discussion, theoretical and managerial implications, limitations and direction for future research, and conclusion.

Theoretical Background and Hypotheses

Compensation gap and various work outcomes

Various organizations have collapsed due to poor work outcomes. The success of any organization thus depends on the work outcome of its resources including human capitals. Work-related outcomes such as organizational commitment, altruism towards expatriate employees, organizational citizenship behavior and employee creativity are usually reactions to strategies, policies, and systems that affect employees (Hon & Lu, 2010; Tao, Xu, & Liu, 2020; Changzheng, 2018). In terms of human resource and employees' performance, certain work outcomes are as a result of employee response to injustice and perceived unfair treatment (Hon & Lu, 2015; Sarwar, Abdullah, Hafeez, & Chughta, 2020). Based on Adam's equity theory, employees that perceive compensation gap as an act of injustice tend to rate that action as unacceptable. The perceived unacceptable disparity in pay among employees has negative concerns on the work environment such as reduced levels of motivation and satisfaction with one's job (Leung, Wang, & Hon, 2011). Consequently, the disparity in compensation is viewed as unfair treatment and therefore positively relates to counterproductive work outcomes including organisational deviance and interpersonal deviance among local employees (Hon, Lu, & Chan, 2015), job dissatisfaction and non-commitment to the job or firm (Vahter & Masso, 2019) of which MNCs very much require the positive from their local employees. We argue that local employees of hospitality MNCs will be more satisfied with their jobs, exhibit altruism towards expatriate supervisors and be more committed to the organization when there is little or no perceived compensation gap

between the expatriates and local employees. This effect can be interpreted by the equity theory (Adams, 1965) which suggest counterproductive work outcome when local employees perceive compensation disparity as an act of injustice. When the disparity is reduced and the perceived injustice eliminated, local employees will be more satisfied with their jobs and expatriate supervisors, be more committed to the organisation and exhibit altruism behaviors towards expatriate employees. Based on these arguments, we hypothesize:

Hypothesis 1: The difference in compensation between expatriates and locals is associated with negative reactions (in terms of job satisfaction, organizational commitment, satisfaction with expatriates, and altruism toward expatriates) from local employees.

Effect of Expatriate Trust on Work Outcomes

Early researchers have established that supervisors in MNCs, who are usually expatriates, have interpersonal as well as job-related interactions frequently with their subordinates, who are mostly local employees (McFarlin & Sweeney, 1992; Konovsky & Pugh, 1993). These exchanges can build certain cognitive and affective representations based on which local employees determine the level of trust they have in their expatriate supervisors and the organization (Lapointe, Morin, Vandenberghe, & Schwarz, 2020; McAllister, 1995). When employees trust their supervisors, they believe that the supervisors have their best interest at heart and so reciprocate with actions beyond their expected duties. Research shows that citizenship behavior among employees is a byproduct of trust in leadership (Wang & Huang, 2019) which leads to other positive work outcomes. Emerging research suggests that trust can increase job performance (Baer, Dhensa-Kahlon, & Colquitt, 2015), organisational citizenship behavior (Wang & Huang, 2019) and other productive work outcomes. This shows that when the level of trust is high, the level of productive work outcome is likely to increase as asserted by Dirks and Ferrin in their 2002 meta-analytic study of trust in leadership. On the other hand, lower trust levels may

culminate into detrimental effects on the organisation and employees brought about by counterproductive work outcomes.

The degree of trust that a local employee has in an expatriate manager in keeping his word and being honest, and looking out for the welfare of subordinates may be knowledge-driven (cognitive trust) or emotion-driven (affective trust). Given the detrimental effects of poor work outcomes on hospitality businesses, resulting from the marked gap in pay, expatriate managers need to understand strategies to ameliorate the counterproductive behaviors of local employees. To attain this, employees are to believe that their expatriate superiors care about them. Again, policies are to be set up for the benefit of the local employees (Hon & Lu, 2010). In this case, employees will gain interpersonal trust with the expatriate superiors and be confident in the organisational justice system. This will lead to the build-up of affective and cognitive trust in expatriate supervisors that will bring positive outcomes to the firm and expatriates .

The Moderating Effect of Cognitive Trust in Expatriates on Outcomes

As identified by Lewis and Weigert (1985), perceived trustworthiness held by employees about their managers or supervisors tends to be based on the knowledge that the supervisor treats employees fairly concerning the organizational procedures, policies, and systems. This form of trust is supported by evidence and rational reasoning towards a collaborative capital needed to get work done (Emmens, 2016; McAllister, 1995). Cognitive trust is, therefore, the decision of local employees of MNCs to have confidence in expatriate managers developed on the evidence of proven record of competence and reliable conduct to reduce injustice in processes, systems, and compensation among others (Lewis & Weigert, 1985). Frequent interaction between expatriate supervisors and local subordinates will help both parties to reach an understanding that results in the positive work-related outcomes such as

satisfaction with one's job and commitment to the organisation (Hite, 2005). When the assessment of a managers' trustworthiness yield positive results, work outcomes are likely to be significantly positive (Hon & Lu, 2010; Morrow, Hansen, & Pearson, 2004). Thus, the stronger the cognitive trust of local employees put in expatriate managers, the more confident they are that their managers treat them fairly and will do so in the future to develop systems that will incorporate their needed motivation towards achieving desired work-related outcomes. We express that cognitive trust, that is initiated by expatriate supervisors and sustained among local employees, that is maintained at a high level can help reduce the detrimental effect that perceived injustice has on satisfaction resulting from compensation disparity. This can further lead to organisation turnaround propelled by local employees. Under a strong cognitive trust, therefore, employees are encouraged to see beyond the disparity in pay to improve their work-related efforts to achieve set targets, improve job satisfaction and stay committed to the organisation with the expectation that the expatriate managers will improve the system of work and influence policies to favour the local employee so as not to be worse off. Accordingly. We hypothesize that:

***Hypothesis 2a:** Cognitive trust initiated by expatriates moderates the negative relationship between the difference of compensation and job satisfaction such that this negative relationship is weaker when cognitive trust is stronger.*

***Hypothesis 2b:** Cognitive trust initiated by expatriates moderates the negative relationship between the difference of compensation and organizational commitment such that this negative relationship is weaker when cognitive trust is stronger.*

The Moderating Effect of Affective Trust in Expatriates on Outcomes

Emotions and affective exchanges that take place between expatriate managers and local employees depict an interpersonal relationship that drives an employee to like or dislike their expatriate

managers. Resulting from the level of concern for the welfare of employees and the care given by managers, through frequent interactions with subordinates, positive feelings may be generated towards supervisors creating an affective trust. Affective trust refers to the belief that people have in others based on how they feel about the care and concern shown. In this case, local employees will develop affective trust based on how their expatriate managers engage in friendly interactions with them, show concern, and care for their wellbeing. This emotional connectedness with positive feelings will foster trust in the expatriate managers (Johnson & Grayson, 2005) and can reduce the local employees' perceived feeling of injustice that is due to large compensation disparity. This important dimension of trust was demonstrated by Schaubroeck et al. (2011) to weaken uncertainty and increase psychological safety among employees. With this, social connections are strengthened and ill feelings that can cause the dissatisfaction of local employees with expatriate managers and self-interest tendency of local employees at work can be weakened (Clough, Fang, Vissa, & Wu, 2019). We argue in line with the assertion of Hon and Lu, (2015) that strong interpersonal relationship that is based on positive feelings towards expatriate supervisors can help to lessen the negative effect that compensation disparity has on local employees' satisfaction with expatriate managers. Also, affective trust that local employees have for expatriate managers can generate benevolent actions towards the managers which results in mutual understanding and reduce hostile reactions towards expatriate managers (Agag & Eid, 2019; Podsakoff, MacKenzie, Moorman, & Fetter, 1990). This can be explained by the social exchange theory. We therefore hypothesize:

Hypothesis 3a: *Affective trust initiated by expatriates moderates the negative relationship between the difference of compensation and satisfaction with expatriates such that this negative relationship is weaker when affective trust is stronger.*

***Hypothesis 3b:** Affective trust initiated by expatriates moderates the negative relationship between the difference of compensation and altruism toward expatriates such that this negative relationship is weaker when affective trust is stronger.*

Methods

Sample and Procedures

Hotel industry of MNC firms with international joint ventures and wholly-owned subsidiaries operating in Xian China were contacted by the research team. The hospitality industry was selected due to the prevalence of expatriates holding positions in this sector and the discrepancy between local and expatriate salaries. Organizations involved in a project which examined human resource management (HRM) practices in MNCs operating in China were invited to participate in a survey. Data collection from 286 local team members included 32 expatriate leaders in hotel companies in the area. The participating firms were visited by the research team who met with human resource managers working closely with expatriate managers. The HR managers were asked to identify and distribute anonymous questionnaires among employees in different departments who were under the supervision of expatriate managers. They were also told to identify employees in different departments which could distribute the questionnaires. The positions of the expatriates ranged from upper-level to middle-level management. Expatriate supervisors distributed survey packets to their local subordinates. The subordinates received a letter outlining the study objective and informing them that their participation was voluntary. To maintain personal privacy, the respondents were asked to put their completed survey in a sealed envelope and place it in a box in the human resources department of their respective companies. Each company was subsequently visited by the research team to collect the questionnaires. Each company's sample size was from 5 to 13, with a mean of 7.

Approximately 53% of the 286 local employees were male. For ages 20-29, the age distribution was 57% and for ages 30-49, it was 38%. The age of the remainder was over 49. Less than half (30%) of the respondents held a bachelor's degree or higher; the other 70% had secondary-level or lower education. All of the respondents were front-line or low-level employees, and they were under the direct supervision of an expatriate manager. About 32.5% of respondents had been under the supervision of expatriate managers for under a year, 66.3% for 1-5 years, and 1.2% for more than 10 years. Regarding the sample of expatriate managers, 80% of respondents were male; 68.1% had lived in China for a minimum of 6 years, and 85.2% had been employed by their current company for a minimum of 5 years. Regarding age, 10% of respondents were 20 to 29 years; 74% were 30 to 49 years, and the remainder was over 49. Regarding educational background, 90% held a bachelor's degree or higher; the remainder had college or high school level education in some capacity or another. Regarding nationality, 35% of expatriate management was from Hong Kong or Taiwan, 32.3% was from Europe, 28% was from North America, and the remainder was from other Asian countries. Notably, managers from Hong Kong and Taiwan who work in mainland China generally have work terms similar to those of Western employees. With regard to company size, 8% of respondents worked for companies that employed less than 100 staff members, 37.4% employed 101-500, 39.2% employed 501-1000, and 15.4% had 1,001 or more staff.

Measures

We used a 7-point scale for all of the study measures, ranging from 1 (strongly disagree) to 7 (strongly agree). We coded the survey questionnaires before distribution and received assistance from the human resource departments in documenting identification numbers to match the responses of local employees and their expatriate supervisors. We distributed separate questionnaires to expatriates and

locals. Local employees had to answer questions about perceptions of compensation difference, cognitive and affective trust in expatriates, and three key reactions: job satisfaction, organizational commitment, and satisfaction with expatriates. We asked expatriate managers to rate the altruistic behavior of their subordinates toward them. After the standard back-translation procedure, we had the scales translated from English into Chinese and then back into English again by two independent bilingual translators to make sure the meaning of the survey content was consistent.

Compensation gap. Chen and colleagues (2002) constructed two items to measure the extent of the difference of compensation between the locals and the expatriates in a Chinese context. We adapted the two items measuring the extent to which locals' perceptions of their compensation differed from that of their expatriate colleagues. Based on the above two items, we also developed two more items to measure compensation difference. Item 1 asked "Do you think that the difference between the salary of expatriates and locals who hold a similar position is reasonable?" and responses were collected using a scale ranging from 1 (strongly unreasonable) to 7 (strongly reasonable). Item 2 asked "Do you think that the difference in the salary of expatriates and locals who hold a similar position is acceptable?" with responses collected using a scale ranging from 1 (strongly unacceptable) to 7 (strongly acceptable). Item 3 asked "Do you think that the difference between the salary of expatriates and locals who hold a similar position is fair?" with responses collected using a scale ranging from 1 (strongly unfair) to 7 (strongly fair). Item 4 asked "Do you think that the difference in the salary of expatriates and locals who hold a similar position is satisfactory?" with responses collected using a scale ranging from 1 (strongly unsatisfactory) to 7 (strongly satisfactory). The coefficient alpha of this four-item scale was .82.

Cognitive trust and affective trust. In this study, we used the McAllister's (1995) scale which consisted of five items that measured the cognitive and affective trust of each. We modified the items

to be a group-level variable. Cognitive trust sample items included: “In our team, we have a hard-working and reliable expatriate supervisor” and “In our team, we are confident about our expatriate supervisor’s work performance based on his/her job competence.” Affective trust sample items included: “In our team, we are confident that when any one of us discuss any difficulties that we have with our expatriate supervisor that he/she will give us constructive suggestions” and “In our team, we know that our expatriate supervisor will listen when we inform him/her that we have a difficulty.” The cognitive trust coefficient alpha was .77, and the affective trust was .83.

Satisfaction with expatriates. We adapted two items from Bass (1985) to measure employee satisfaction with expatriates: “I am generally satisfied with my expatriate supervisor” and “I am satisfied with the leadership approach of my expatriate supervisor when it comes to completing team-work.” This scale’s coefficient alpha was .80.

Altruism toward expatriates. We asked expatriates to evaluate the inclinations of local subordinates to be altruistic towards them. We adapted the four-item scale of Podsakoff, MacKenzie, Moorman, and Fetter’s (1990) to assess altruism, a helping behavior toward expatriates. Sample items included “This individual is inclined to help me when he/she has a heavy workload,” and “This individual is inclined to help me find solutions to work-related problems.” This scale’s coefficient alpha of was .78.

Job satisfaction. We used Cole’s (1979) four-item scale to assess the general work satisfaction level of local employees. Sample items included: “I am satisfied with my work,” and “My current work meets my expectations.” This scale’s coefficient alpha was .85.

Organizational commitment. We used a six-item scale adapted from Mowday, Steers, and Porter (1979) to assess the organizational commitment of employees. The scale has been validated in a Chinese setting (Leung, Zhu, & Ge, 2009). Sample items included: “I have pride in telling others which

company I work for” and “I have genuine concerns about the direction of my company.” This scales coefficient alpha was .80.

Control variables. To decrease the possibility of confounding effects, we controlled for several prevalent background variables, which notably have an influence on various work-related attitudes and outcomes (Leung et al., 2011). We controlled for gender, age, education level, average organizational tenure, and job types at the individual level. We controlled for group size (number of respondents from a particular company) and company size (number of employees in the company) at the organizational level.

Results

Analytical Procedures and Preliminary Analysis

The means, standard deviations, and correlations between the variables are shown in Table 1. There was a significant and negative correlation between the four work attitudes and the compensation gap, and also between the four work attitudes and cognitive and affective trust, as predicted. There is a positive and significant correlation between both forms of trust and the four work outcomes. The compensation gap mean was 2.93, which is indicative of a significant number of locals perceiving a large compensation discrepancy between them and expatriates.

Insert Table 1 about here

We carried out a confirmatory factor analysis at the individual level to evaluate the discriminant validity of the scales. Seven variables were analyzed. The Chi-square statistic of a seven-factor model ($\chi^2 = 454.68$, $df = 255$, $p < .01$) was found to be significantly lower than for the null ($\chi^2 = 2967.78$, $df = 307$, $p < .01$) and one-factor model with all the items loaded on a single factor ($\chi^2 = 1365.38$, $df = 275$,

$p < .01$). Moreover, various fit indexes were in agreement with the goodness of fit (GFI) of the seven-factor model (CFI = .91; TLI = .90, RMSEA = .05).

Employees were “nested” in their companies; hence, we adopted hierarchical linear modeling (HLM) version 6.0 (Raudenbush, Bryk, Cheong, & Congdon, 2004) and used the procedures of Bryk and Raudenbush (1992) and Bliese (2000) to conduct a multi-level data analysis. We used grand means to center the level-1 predictors and control variables using grand means. We began by assessing the inter-rater agreement, intraclass correlation coefficients (ICC[1]), and reliability of the mean (ICC[2]) of cognitive and affective trust in order to determine the suitability of aggregation for these two group-level variables (r_{wg} ; James, Demaree, & Wolf, 1993). ICC[1] are indicative of the variation attributable to group membership and ICC[2] the degree to which a reliable estimation can be made of a group mean. Acceptable levels of ICC[1] do not have absolute values. For ICC[2], a value of .60 or above is recommended by Klein and Kozlowski (2000).

Cognitive trust had an average r_{wg} of .89 and affective trust .92, which shows good inter-rater agreement (See Hofmann & Stetzer, 1998; Zohar & Luria, 2005 for comparison). Moreover, the aggregation of these variables at the group level are supported by ICC[1] and ICC[2] being .21 and .72 for cognitive and .19 and .78 for affective trust, respectively (Bliese, 2000; Klein & Kozlowski, 2000). It is fitting to regard expatriate cognitive and affective trust toward locals as a distinguishing characteristic of a trusted environment as a group-level variable, given that the results, on the whole, are consistent with the argument that expatriates are inclined to lead firm operations at the management level.

HLM Results

Null model. We had to determine if in fact, the four dependent variables had a significant amount of between-group variance before conducting an examination of cross-level effects. To measure and evaluate level-2 residual variance significance, we examined a null model. For each dependent variable there were no level-1 or level-2 predictors: satisfaction with expatriates ($\tau = .06, p < .01$), altruistic inclinations toward expatriates ($\tau = .10, p < .01$), job satisfaction ($\tau = .07, p < .01$), and organizational commitment ($\tau = .11, p < .01$). The examination of group-level effects for all of the four dependent variables was justified by the significant effects. Moreover, ICC[1] values revealed that 13% of the variance in satisfaction with expatriates, 16% in altruism, 18% in job satisfaction, and 21% in organizational commitment existed between groups. Chi-square tests revealed in each case that the between-group variance was significantly different from zero ($\chi^2 = 61.2, p < .01$; $\chi^2 = 98.3, p < .01$; $\chi^2 = 125.4, p < .01$; $\chi^2 = 101.5, p < .01$, respectively).

Individual-level predictor. Hypothesis 1 predicts that there is a negative relationship between the compensation difference and job satisfaction, organizational commitment, satisfaction with expatriates, and altruistic inclinations toward them. For each dependent variable, we propose a level-1 model with no predictor indicated for the level-2 model. Consistent with Hypothesis 1, Tables 2 and 3 show the negative association between the compensation gap and satisfaction with expatriates ($\gamma = -.82, p < .01$), altruism towards expatriates ($\gamma = -.57, p < .01$), job satisfaction ($\gamma = -.23, p < .01$), and commitment to the organization ($\gamma = -.28, p < .01$).

Insert Table 2 about here

Group-level predictors. We proposed a set of intercepts-as-outcomes models to assess the primary effects of group-level predictors. The compensation difference was regarded as a level-1 predictor for the dependent variables, and the intercept coefficients acquired from level 1 were

regressed on cognitive and affective trusts' two group-level variables. The results (see Table 3) reveal that there was a significant and positive relationship between expatriate affective trust, satisfaction with expatriates ($\gamma = .63, p < .05$) and altruism towards expatriates ($\gamma = .48, p < .05$). Moreover, cognitive trust indicated (see Table 2) significant and positive connections with job satisfaction ($\gamma = .62, p < .05$) and commitment to the organization ($\gamma = .79, p < .05$). To recap, both cognitive and affective trust indicated that there was a positive and significant direct impact on the dependent variables. Expatriate affective trust comprised 24% of between-group variance with regard to satisfaction with expatriates and 21% for altruism, while expatriate cognitive trust comprised 17% between-group variance for job satisfaction and 19% for organizational commitment.

Insert Table 3 about here

Cross-level interactions. We analyzed a set of slopes-as-outcomes models to assess the hypothesis for cross-level interactions. Hypotheses 2a and 2b predict that expatriate cognitive trust moderates the negative relationships between the difference of compensation and job satisfaction and organizational commitment. We subsequently evaluated the cross-level interactions, in light of compensation gap being a significant level-1 predictor and two group-level variables being significant level-2 predictors as shown above. Our results (see Table 2) reveal, as a level-2 predictor of the slope of the compensation gap, that expatriate cognitive trust was significant for job satisfaction ($\gamma = .84, p < .01$) and commitment to the organization ($\gamma = .43, p < .01$). It accounted for 28% (23%) of between-group variance in the slope of the compensation gap for job satisfaction (organizational commitment). Figure 1 contains a graph which shows the moderating effects of cognitive trust, with high and low levels represented as a single standard deviation above and below the mean, respectively. Lower job satisfaction (see Panel A of Figure 1) and lower commitment to the organization (see Panel B of Figure 1) resulted from a higher compensation difference. An increase in the compensation difference meant

employees became less satisfied with their work (see Panel A of Figure 1) and displayed less organizational commitment (see Panel B of Figure 1). Hence, when an environment of cognitive trust initiated by expatriates was strong, the negative relationships between the compensation difference and both job satisfaction and organizational commitment became weaker, which is in agreement with Hypotheses 2a and 2b.

Insert Figure 1 about here

There is also support for Hypotheses 3a and 3b, which predict that expatriate affective trust moderates the negative relationship between the difference of compensation and both satisfaction with expatriates and altruism toward them. Table 3 shows that expatriate affective trust as a level-2 predictor of the level-1 slopes was significant for satisfaction with expatriates ($\gamma = -.96, p < .01$) and altruism toward them ($\gamma = -.76, p < .01$). Expatriate affective trust contributed to 16% (20%) of the between-group variance in the compensation gap slope for satisfaction with expatriates (altruism). Figure 2 contains a graph which shows these moderating effects. Employees displayed less satisfaction with their expatriate managers (see Panel A of Figure 2) and were less inclined to have altruistic tendencies towards them (see Panel B of Figure 2) as the compensation difference increased. The negative relationships between the compensation difference and both local employee satisfaction with expatriate managers and local employee altruistic tendencies toward expatriates weakened when there was a strong affective trust environment initiated by expatriates, which is in agreement with Hypotheses 3a and 3b.

Insert Figure 2 about here

Additional testing. We conducted additional research to ascertain whether cognitive trust is solely linked to organization-related results and affective trust to expatriate-related results. Further HLM

assessment was carried out and the results from an assessment of the moderating effects of expatriate cognitive trust on the relationships between the difference of compensation and satisfaction with and altruism toward expatriates, were not significant, thus confirming that the moderating effects of expatriate cognitive trust were limited to organization-related variables. We also evaluated the moderating effects that expatriate affective trust had on the relationships between the difference of compensation and work satisfaction and commitment to an organization. This evaluation yielded similar results that were not significant. Hence, the moderating effects of expatriate affective trust were also similarly limited to expatriate-related variables.

General Discussion

Compensation in the hospitality industry and its related issues are very sensitive and can cause serious ramifications for multinational hospitality corporations (Kang & Shen, 2018; Leung, Wang, & Hon, 2011) leading to their failure or success of expatriate assignments. This study aimed at extending the existing literature on compensation disparity in multinational hospitality corporations. We integrated the equity theory, the social exchange theory and the reflection theory of pay to investigate the relationships that exist between compensation disparity and various work outcomes such as job satisfaction and organizational commitment of local employees as well as their satisfaction with expatriate supervisors/managers and the altruism towards them. We also examined the moderating effect that cognitive trust and affective trust in expatriates have on these relationships. As predicted, the results revealed that compensation gap relates negatively to local employees' organizational commitment and job satisfaction, their satisfaction with expatriate managers and the level of altruism towards them.

Interestingly, commitment to the organisation showed a relatively stronger negative association with compensation differences than the other three work outcomes. This indicates that the local employees compare their compensation with expatriate colleagues and if they perceive injustice due to the gap in compensation, they may develop ill feelings mostly towards their organisations more than their expatriate manager. This may cause local employees to leave organisations with higher and perceived unjustified compensation disparity, contributing to high labour turnover in the hospitality industry. These findings are, therefore, in line with the findings of Leung et al. (2011) and Hon et al. (2015) who argue that disparity in compensation among local and expatriate employees leads to counterproductive work-related outcomes and person-related outcomes such as organizational commitment and altruism towards expatriates. It was proven that cognitive trust cushions the negative relationship between compensation gap and job satisfaction and organisational commitment such that as cognitive trust gets stronger, the negative effect of compensation gap on organisational commitment, and also job satisfaction weaken. Similarly, the negative effects of differences in compensation on satisfaction with expatriate managers and altruism towards them are buffered by the affective trust that local employees have in their expatriate colleagues. Such that the stronger the affective trust, the weaker the negative relationship between the pay disparity and the satisfaction with expatriate managers and the altruism towards them.

Thus, local employees with high cognitive trust in managers, have higher levels of job satisfaction and organisational commitment. Also, a high level of affective trust in managers results in a relatively high level of satisfaction with supervisors and altruism towards expatriate managers than in a low-level affective trust situation. This means that if local employees believe that their expatriate managers/supervisors are welcoming, kind, and trustworthy, or if they are good at their job, competent, honest and inclusive in their procedures, they will juxtapose the efforts of their expatriate managers to

their input to appraise output ratios to understand the compensation system of their organisations better. Our findings are consistent with the findings of Hon and Lu (2010), Hite (2005) and Morrow et al. (2004), and Dirks and Ferrin (2000) that regular interaction between expatriate supervisors and local subordinates creates an understanding and mutual trust that results in perceived justice and positive work-related outcomes including job satisfaction and commitment to the organisation. The results also supported the assertions made by Agag and Eid (2019), Clough et al. (2019), Hon and Lu (2015), and Schaubroeck, et al. (2011) that the positive affection and trustworthiness that employees have in supervisors can reduce negative feelings and generate interpersonal citizenship behavior that promotes altruism towards expatriate managers and an increased level of satisfaction with them.

In addition, we found support for Hon and Lu (2010) that cognitive trust is uniquely related to work-related outcomes. That is, cognitive trust can significantly and uniquely moderate the negative relationship between compensation disparity and task-related outcomes (organisational commitment and job satisfaction). In the same way, affective trust uniquely moderates negative relationships between compensation disparity and person-related/expatriate-related work outcomes.

Also, our findings provide further support for the equity theory (Adams, 1965) and the reflection theory of pay (Thierry, 2001) where perceived injustice as a result of compensation disparity is a proximal cause of counterproductive attitudes and behaviours at the workplace. Local hospitality employees in China reflect on their pay to determine their position in the organisation and society to motivate them to work productively. A gap in the compensation is perceived as a form of injustice for which calls for some level of trust among local employees that the organisation cares for their wellbeing through beneficial policies and systems and expatriate supervisors being welcoming and trustworthy to weaken undesired attitudes and behaviors at the workplace. Also, we suggest based on the social exchange theory (Blau, 1964) that efforts to reduce the perceived injustice among local

employees will result in promising work outcomes through favourable attitudes developed out of the belief that their supervisors or managers care for them and have their interests at heart.

Theoretical Implications

Previous studies have demonstrated that employees' trust in their managers and supervisors has a strong relationship with productive work outcomes and positive work attitudes and behaviors (Hon & Lu, 2010; Hite, 2005; Dirks & Ferrin, 2002). That notwithstanding, little attempt has been made to examine the moderating role that the two main dimensions of trust have on the negative effect of the compensation gap on employee work outcome. Results from this study extend the understanding of prior studies on the impact of local employees-expatriate compensation disparity and its effect on the attitudes, behavior, and the outcome of work (e.g., Hon & Lu, 2010; Leung, Wang, & Hon, 2011). This study provides two theoretical implications. We found support for the negative effect of compensation disparity on both task or work-related outcomes and person-related outcomes. Which implies that compensation disparity is one of the main contributors to counterproductive work outcomes among employees in the hospitality industry.

Further, we theorize that the moderating effect of trust occurs because it works as an assurance and a legitimizer of the disparity in compensation that is perceived as a form of injustice when trust is absent. When cognitive trust is strong, it gives the impression that the expatriate managers have the competency, key knowledge, and ability to work at high-level and so are justified to receive more compensation than the local employees. Different types of trust are directly concerned with different types of work outcomes. For example, trust that is based on the competency of managers or supervisors can moderate only the effect of the compensation gap on task-related work outcomes significantly. On

the other hand, trust that is based on the likeness of an individual or emotions can significantly moderate the effect on only person-related outcomes such as altruism towards expatriate managers or supervisors but not task-related outcomes. Presumably, a multicultural environment is created when expatriates and local employees are brought together to work (Leung, Lin, & Lu, 2014). This mixed culture can facilitate the rapid build-up or decline of trust between the expatriates and local employees, specifically the affective trust that improve person-related work outcome. Given that local hospitality employees in China are nested in teams, societies and organizations, the current study demonstrates that examining the individual and group-level construct is important to generate a clear and holistic understanding of international management in terms of how individual-level constructs (perceived pay gap and workout) relate and how group-level constructs (affective trust and cognitive trust) can moderate this relationship.

Managerial Implications

This study has some implications that suggest ways to help managers in the hospitality industry to manage the detrimental effects of perceived disparity ingrained in the compensation systems of multinational hospitality corporations. The country-based or two-tier system of compensation has been used in the hospitality industry for decades. This system of compensation usually put local employees for the target country or region of MNC at a disadvantage. Findings from the study reveal that disparity in compensation among local employees and expatriates is perceived by the local employees as unjust and therefore predicts undesired work outcome. These counterproductive attitudes and behaviors can cause the failure of the expatriate manager and by extension, the MNC involved. For managers to prevent counterproductive outcomes, we suggest that equity in compensation policies and systems, and the incorporation of non-financial benefits such as training, and insurance should be seriously

considered and communicated to employees for better understanding. This will generate a sense of fairness among the employees and prevent the enactment of counterproductive work outcomes.

Moreover, as MNCs face difficulty reducing the compensation gap drastically through increasing and reducing the pay of expatriates and local employees respectively, MNC management teams are to find other ways, in addition to the above, to reduce the negative effect of such gap on employee attitude, behaviors and other work outcomes. The study indicates that two dimensions of trust were found to moderate the negative effect significantly and improve work outcomes of local employees. Employees who hold high cognitive and affective trust in supervisors and managers tend to show a relatively high level of job satisfaction. Thus, trust can be a reliable medium through which the detrimental effect can be ameliorated to help MNCs in the hospitality industry to thrive. This suggests that the management of MNCs should encourage the expatriates to show a genuinely welcoming, kind, and caring attitude towards local employees they supervise to gain the desired level of affection and assurance. Expatriates should refresh the memories of the subordinates about their roles, celebrate their achievements and remind them of how much they care for them. This will build affective trust in expatriate managers to ameliorate the feeling of injustice and further improve the level of satisfaction in expatriate managers and the act of altruism towards them. Moreover, evaluation of the level of competence, reliability, and ability to handle situations among other qualities of managers will build cognitive trust in managers. From our results, causing local employees to have high levels of job satisfaction and organisational commitment depends on how strong cognitive trust in expatriate managers will be. We, therefore, suggest that expatriates get trained on the local cultural perspectives of the target country to help them in knowledge transfer and effective supervision and management of local employees. Further, management of MNCs must ensure that expatriates maintain high-level competence, reliability, skills, professionalism, and honesty in the organisation by enforcing checks

and balances through staff feedback and evaluation. This will help local employees to build trust in the capabilities of their expatriate managers and by extension develop cognitive trust to improve job satisfaction and organisational commitment.

Limitations and Direction for Future Research

Notwithstanding the meaningful contributions that this study has made towards reducing the unfavorable effects of compensation disparity on organizations and their human resource hospitality industry in China through trust, it has some limitations that future studies can help to address. First, cross-sectional data were collected for this study. Though it provides great insight into the perceived compensational gap and how trust can help to reduce its negative effects on the work outcomes, the negative relationship may change over time. The cross-sectional data fail to help ascertain such effect over time. Therefore, future studies can be based on longitudinal data to ascertain the effect of the compensation gap over a long period. Second, this study did not consider cultural dimensions that influence the perceptions of local employees. China has unique cultural value and certain cultural dimensions may influence the perception of failure and injustice. As this study did not cover aspects of culture, it is missing important elements that can strengthen proximal causes of perceived injustice resulting from compensation gaps. Future studies can investigate the influence of cultural dimensions in exacerbating or improving perceived injustice that influences work outcomes in hospitality MNCs. Third, the study concentrated on China where business environment differs from other places. Business environment around the world is diverse and MNCs may be affected differently. To understand how compensation gaps are viewed worldwide and its effect on MNCs, we suggest that future studies consider cross-cultural studies to improve the generalizability and propose solutions for the diverse business environment within which MNCs operate.

Conclusion

In the modern hospitality industry, MNCs rely on expatriate managers to succeed. As an upper-middle-income economy (World Bank, 2021) China has high market potential and low labour cost to cushion MNCs in the hospitality industry. However, expatriates are noted to fail in developing successful hospitality organizations due to perceived injustice by local employees. One main cause of perceived injustice is the disparity in compensation of expatriates and local employees which leads to negative work outcomes. This study suggests that developing and strengthening trust in expatriates is a good way to ameliorate the negative effect of disparity in compensation on work outcomes. When local employees have high cognitive trust in their expatriate managers, the negative relationship between the compensation gap and task-related work outcomes are improved. Similarly, high affective trust in expatriate managers weakens the negative effect of the compensation gap on person-related work outcomes. In effect, cognitive and affective trust can improve work outcomes of local employees in MNCs operation in China.

References

- Adams, J. S. (1965). Inequity in social exchange. In L. Berkowitz (Ed.), *Advances in Experimental Social Psychology* (pp. 267-299). New York: Academic Press.
- Agag, G., & Eid, R. (2019). Examining the antecedents and consequences of trust in the context of peer-to-peer accommodation. *International Journal of Hospitality Management*, 81, 180-192.
- Baer, M., Dhensa-Kahlon, R., & Colquitt, J. (2015). Uneasy lies the head that bears the trust: the effects of feeling trusted on emotional exhaustion. *Academy of Management Journal*, 58(6), 1637-1657.
- Bass, B. M. (1985). Leadership: Good, better, best. *Organizational Dynamics*, 13(3), 26-40.
- Bennett, R. J., & Robinson, S. L. (2000). Development of a measure of workplace deviance. *Journal of applied psychology*, 85(3), 349-360.
- Blau, P. M. (1964). *Exchange and Power in Social Life*. New York: John Wiley.
- Changzheng, Z. (2018). *A comprehensive investigation of executive-employee pay gap of Chinese enterprises: Antecedents and consequences*. New York: Nova Science Publishers, Incorporated.
- Chen, C. C., Choi, J., & Chi, S. C. (2002). Making justice sense of local-expatriate compensation disparity: Mitigation by local referents, ideological explanations, and interpersonal sensitivity in China-foreign joint ventures. *Academy of Management Journal*, 45(4), 807-817.
- Clough, D. R., Fang, T. P., Vissa, B., & Wu, A. (2019). Turning lead into gold: How do entrepreneurs mobilize resources to exploit opportunities? *Academy of Management Annals*, 13(1), 240-271.
- Cole, R. E. (1979). *Work, mobility, and participation: A comparative study of American and Japanese industry*. California: University of California Press.
- Cooke, F. L., Liu, M., Liu, L. A., & Chen, C. C. (2019). Human resource management and industrial relations in multinational corporations in and from China: Challenges and new insights. *Human Resource Management*, 58(5), 455-471.
- Dirks, K. T., & Ferrin, D. L. (2002). Trust in leadership: Meta-analytic findings and implications for research and practice. *Journal of Applied Psychology*, 85, 611-628.
- Emmens, B. (2016). Collaborative Capital. In *Conscious Collaboration* (pp. 49-58). London: Palgrave Macmillan.
- Haile, S., & White, D. (2019). Expatriate failure is a common challenge for multinational corporations: Turn expatriate failure into expatriate success. *International Journal of Business & Public Administration*, 16(1), 27-40.
- Hite, J. (2005). Evolutionary processes and paths of relationally embedded network ties in emerging entrepreneurial firms. *Entrepreneurship Theory and Practice*, 29(1), 113-144.
- Hon, A. H., & Lu, L. (2010). The mediating role of trust between expatriate procedural justice and employee outcomes in Chinese hotel industry. *International Journal of Hospitality Management*, 10, 669-676.
- Hon, A. H., & Lu, L. (2010). The mediating role of trust between expatriate procedural justice and employee outcomes in Chinese hotel industry. *International Journal of Hospitality Management*, 29, 669-676.
- Hon, A. H., & Lu, L. (2015). Are we paid to be creative? The effect of compensation gap on creativity in an expatriate context. *Journal of World Business*, 50(1), 159-167.
- Hon, A. H., Lu, L., & Chan, W. W. (2015). Does cultural value exacerbate or mitigate the effect of perceived compensation gap between locals and expatriate in hotel industry? *International Journal of Hospitality Management*, 48, 83-91.

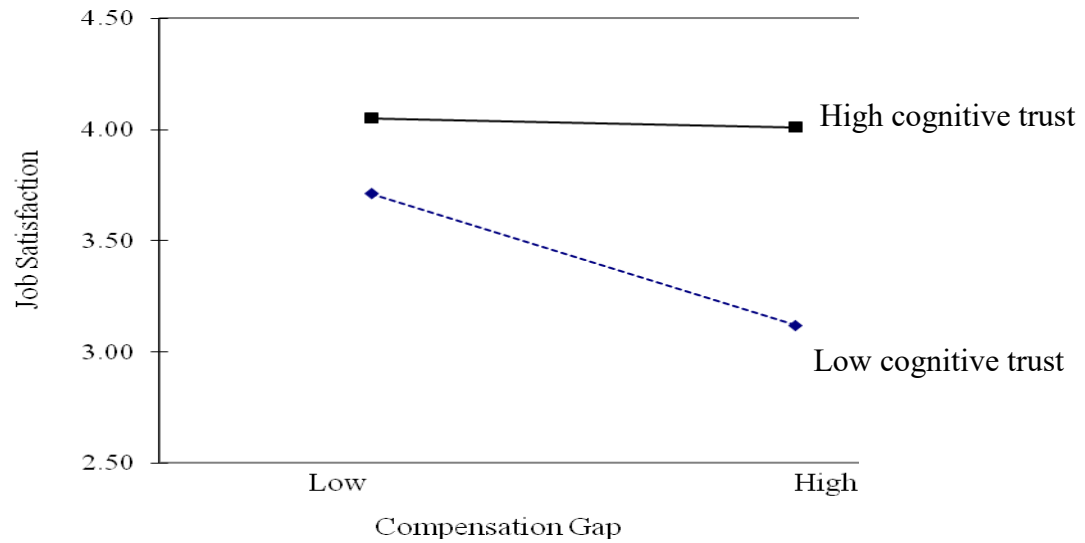
- Iyer, G. R., & Jarvis, L. (2019). CSR adoption in the multinational hospitality context. *International Journal of Contemporary Hospitality Management*, 31(6), 2376-2393.
- Jiang, W., Lin, B., Liu, Y., & Xu, Y. (2019). Chairperson collectivism and the compensation gap between managers and employees: Evidence from China. *Corporate Governance: An International Review*, 27(4), 261-282.
- Johnson, D., & Grayson, K. (2005). Cognitive and Affective Trust in Service Relationships. *Journal of Business Research*, 58(4), 500-507.
- Kang, H., & Shen, J. (2018). Antecedents and consequences of host-country nationals' attitudes and behaviors towards expatriates: What we do and do not know. *Human Resources Management Review*, 28, 164-175.
- Konovsky, M. A., & Pugh, S. D. (1993). Citizenship behavior and social exchange. *Academy of Management Journal*, 37, 656-669.
- Lambert, E. G., Keena, L. D., Haynes, S. H., Ricciardelli, R., May, D., & Leone, M. (2020). The issue of trust in shaping the job involvement, job satisfaction, and organizational commitment of Southern Correctional staff. *Criminal Justice Policy Review*, 1-23.
- Lapointe, É., Morin, A., Vandenberghe, C., & Schwarz, G. (2020). Trust and Supervisor-Related Outcomes: Examining Supervisor Organizational Embodiment as a Moderator. *Academy of Management Proceedings*. 2020, p. 12457. NY: Briarcliff Manor.
- Leung, K., Lin, X., & Lu, L. (2014). Compensation disparity between locals and expatriates in China: A multilevel analysis of the influence of norms. *Management International Review*, 54(1), 107-128.
- Leung, K., Wang, Z., & Hon, A. H. (2011). Moderating effects on the compensation gap between locals and expatriates in China: A multi-level analysis. *Journal of International Management*, 17(1), 54-67.
- Leung, K., Zhu, Y., & Ge, C. (2009). Compensation disparity between locals and expatriates: Moderating the effects of perceived injustice in foreign multinationals in China. *Journal of World Business*, 44(1), 85-93.
- Lewis, J. D., & Weigert, A. (1985). Trust as a social reality. *Social Forces*, 63(4), 967-985.
- Maley, J. F., Moeller, M., & Ting, A. F. (2020). Sustainable expatriate compensation in an uncertain environment. *Journal of International Management*, 26(3), 100776.
- McAllister, D. J. (1995). Affect-and-cognition-based trust as foundations for interpersonal cooperation in organisations. *Academy of Management*, 38(1), 24-59.
- McFarlin, D. B., & Sweeney, P. D. (1992). Distributive and procedural justice as predictors of satisfaction with personal and organizational outcomes. *Academy of Management Journal*, 35, 626-637.
- Morrow, J. L., Hansen, M. H., & Pearson, A. W. (2004). The Cognitive and Affective Antecedents of General Trust within Cooperative Organizations. *Journal of Managerial Issues*, 16(1), 48-64.
- Mowday, R. T., Steers, R. M., & Porter, L. W. (1979). The measurement of organizational commitment. *Journal of vocational behavior*, 14(2), 224-247.
- Park, J., & Kim, H. J. (2019). How and when does abusive supervision affect hospitality employees' service sabotage? *International Journal of Hospitality Management*, 83, 190-197.
- Podsakoff, P. M., MacKenzie, S. B., Moorman, R. H., & Fetter, R. (1990). Transformational leader behaviors and their effects on followers' trust in leader, satisfaction, and organizational citizenship behaviors. *The leadership quarterly*, 1(2), 107-142.

- Sarwar, A., Abdullah, M. I., Hafeez, H., & Chughta, M. A. (2020). How Does Workplace Ostracism Lead to Service Sabotage Behavior in Nurses: A Conservation of Resources Perspective. *Frontiers in Psychology*, 850, 1-13.
- Schaubroeck, J., Lam, S. S., & Peng, A. C. (2011). Cognition-based and affect-based trust as mediators of leader behavior influences on team performance. *Journal of Applied Psychology*, 96, 863-871.
- Spagnoli, P. (2020). Organizational socialization learning, organizational career growth, and work outcomes: A moderated mediation model. *Journal of career development*, 47(3), 249-265.
- Tao, Y., Xu, G., & Liu, H. (2020). Compensation gap, retrenchment strategy, and organisational turnaround: A configuration perspective. *Journal of Organizational Change Management*, 33(5), 925-939.
- Thierry, H. (2001). The reflection theory on compensation. In M. Erez, U. Kleinbeck, & H. Thierry (Eds.), *Work motivation in the context of a globalizing economy* (pp. 149–166). UK: Lawrence Erlbaum Associates Publishers.
- Vahter, P., & Masso, J. (2019). The contribution of multinationals to wage inequality: foreign ownership and the gender pay gap. *Review of World Economics*, 155(1), 105-148.
- Wang, H., & Huang, Q. (2019). Feeling trusted and employee outcomes: the double-edged sword of political behaviour. *Personnel Review*, 48(7), 1653-1668.
- World Bank. (2021). *Upper middle income*. Retrieved January 8, 2021, from The World Bank Data: <https://data.worldbank.org/country/XT>

Figure 1

Moderating effects of cognitive trust on organizational-related outcomes

(A) Job Satisfaction



(B) Organizational Commitment

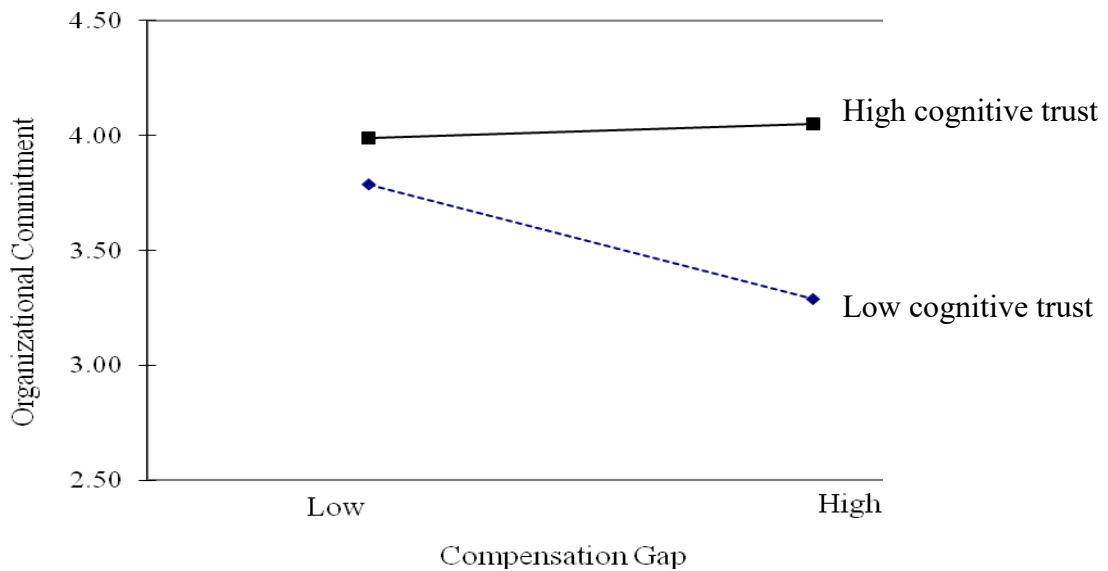
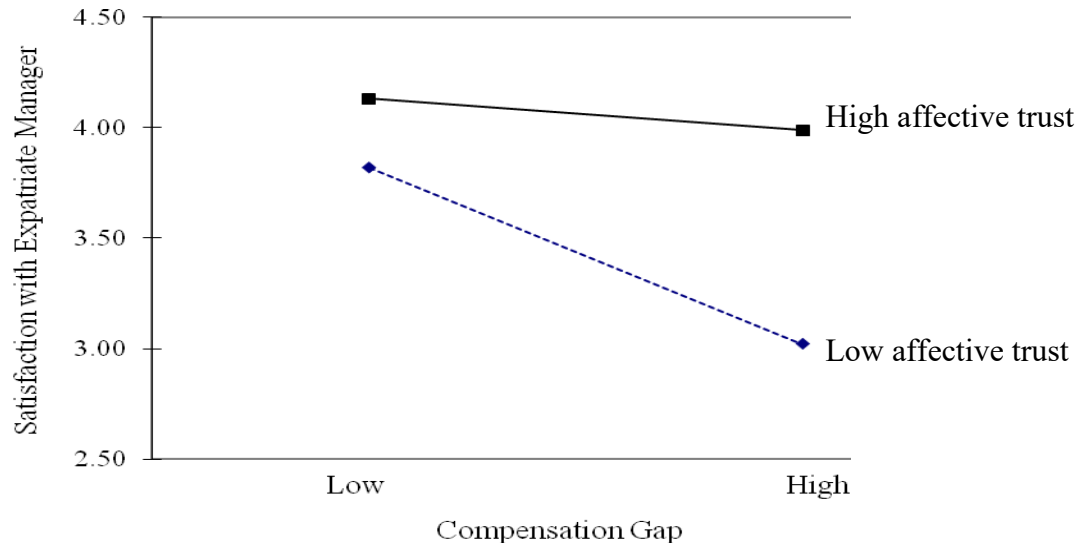


Figure 2

Moderating effects of affective trust on supervisor-related outcomes

(A) Satisfaction with Expatriates



(B) Altruism toward Expatriates

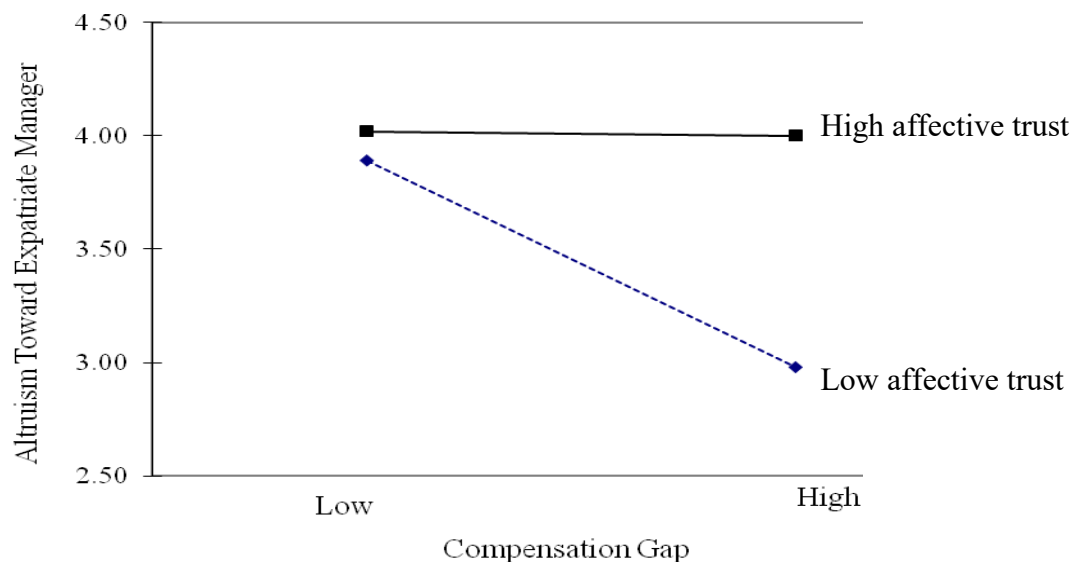


Table 1
Means, Standard Deviations, and Individual-Level Correlations

Variable	Mean	s.d.	1	2	3	4	5	6
1. Compensation gap	2.93	.78						
2. Satisfaction with expatriates	4.62	.65	-.28**					
3. Altruism toward expatriates	4.79	.52	-.29**	.41**				
4. Job satisfaction	4.89	.68	-.35**	.31**	.28**			
5. Organizational commitment	5.23	.51	-.36**	.38**	.40**	.49**		
6. Cognitive trust	4.75	.72	-.29**	.23**	.18*	.39**	.36**	
7. Affective trust	5.04	.63	-.26**	.32**	.28**	.19*	.25**	.27**

($N = 286$)

* $p < .05$

** $p < .01$

Table 2
HLM results for moderating effects of cognitive trust ^a

Variable	Job Satisfaction		Organizational Commitment	
	Coefficient (γ)	t_{26}	Coefficient (γ)	t_{26}
Level 1				
Intercept	3.88	3.91**	3.51	4.73**
Compensation gap	- 0.23	-3.05**	-0.28	-3.48**
Level 2				
Cognitive trust	0.62	2.83*	0.79	2.91*
Cross-level interaction				
Compensation gap x cognitive trust climate	0.84	3.62**	0.43	3.95**
τ^b		.03		.07
χ^2		61.33**		73.11**
R^2		.46		.38

^a N (level 1) = 286 employees; N (level 2) = 32 firms.

^b Variance accounted for by the cross-level interaction.

* $p < .05$.

** $p < .01$.

Table 3
HLM results for the moderating effects of affective trust ^a

Variable	Satisfaction with Expatriates		Altruism toward Expatriates	
	Coefficient (γ)	t_{26}	Coefficient (γ)	t_{26}
Level 1				
Intercept	4.75	78.13**	4.08	69.65**
Compensation gap	-0.82	-3.46**	-0.57	-5.02**
Level 2				
Affective trust	0.63	3.29*	0.48	3.04*
Cross-level interaction				
Compensation gap x affective trust climate	-0.96	-4.67**	-0.76	-4.09**
τ^b		.07		.06
χ^2		52.35**		58.17**
R^2		.32		.51

^a N (level 1) = 286 employees; N (level 2) = 32 firms

^b Variance accounted for by the cross-level interaction

* $p < .05$

** $p < .01$