A Study on Worker’s Perceptions of Psychological Capital on their Earnings

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ABSTRACT

This study explores the perceptions of workers on the influence of psychological capital on their earnings using qualitative data analysis. Workers from diverse socio-economic groups, cultures and occupations in New York City were interviewed using both individual interviews as well as focused groups to find out their viewpoints on psychological capital and its impact on their earnings. The analysis of this paper suggests that workers perceive psychological capital to play a meaningful role in influencing their earnings. In particular, the results indicate that psychological capital workers perceive to be important for their earnings are self-confidence, motivation, positive attitude, ambition and perseverance.

Keywords: Earnings, Human Capital, Psychological Capital, Qualitative Study, Workers

INTRODUCTION

Economists have shown a deep interest in the determinants of worker’s earnings. The marginal productivity theory of wages suggests that, other characteristics held constant, the wage rate is determined by the worker’s marginal productivity. The human capital theory states that factors such as education, experience and job training improve the worker’s human capital endowments and thus enhances worker’s productivity leading to higher earnings (Becker, 1964; Mincer, 1962, 1974). The other school of thought believes that worker’s personality, attitude and a host of other constructs that reflect psychological capital such as self-esteem, motivation, conscientiousness and positive attitude to life and work are important determinants of worker’s earnings. For example, Nollen and Gaertner (1991) demonstrated that it is the performance (productivity) of the worker and not necessarily the training (human capital endowment) that determined his/her earnings. According to these researchers, education and training affect earnings positively only through their positive effects on performance. In other words, any variable that has positive effects on productivity is likely to increase earnings (Barrick & Mount, 1991; Nyhus & Pons, 2005; Salgado, 1997). Further, it is argued that psychological capital possesses incentive enhancing property and augments productivity, leading to

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higher earnings (Bowles, Gintis, & Osborne, 2001). Thus, it is believed that in addition to human capital, psychological capital also plays an important role in determining the wage the worker receives.

Despite the importance of psychological capital in the determination of the worker’s wages, it has not been used frequently as a standard explanatory variable by researchers estimating wage equations. This may be due to several reasons. First, the information on the psychological variable is not available in the most widely used economic data sets. The few data sets that do include this variable report it only for a few selected years, and consequently, researchers using other data sets may not have the opportunity to include this variable in their regression models. Second, most traditional economists believe that psychological variables are not accurately measurable and consequently, any such variable available in a data set may not be reliable (Goldsmith, Veum, & Darity, 1997). Finally, it has been generally accepted that other factors remaining constant, a worker with a good attitude is likely to be more productive. This relationship therefore may have been conceived by past researchers as too trivial to test in a formal manner. Such an omission, however, is problematic for several reasons. Given these caveats in quantitative techniques, this study explores workers’ perceptions of the influence of psychological capital on their earnings and job performance using a qualitative approach.

The purpose of this study is to explore potential connections to earnings of the perceptions of a select sample based on their lived experiences and psychological capital attributes among workers of various occupations in New York City. At this stage in the research, given the nature of this study, the term psychological capital will be defined in a much broader sense and hence includes psychological aspects such as a person’s perception of self, one’s attitude towards work, one’s ethical orientation and one’s general outlook on life. The research questions particularly explore participants’ perceptions of the influence of psychological capital on earnings. Since, in a qualitative study, the focus is not in proving or showing a causal relationship, the questions revolve around participants’ perceptions or experiences of psychological capital and how this construct affected their past, present and future earnings.

LITERATURE REVIEW

The definition of psychological capital tends to vary by context and purpose where it is used. Luthans, Youssef and Avolio (2007) define psychological capital as, “an individual’s positive psychological state of development” that includes four factors: self-efficacy, optimism, hope and resilience. The current study uses psychological capital in the context of its relation to workers’ earnings and includes personality and attitude in addition to psychological constructs such as self-efficacy, optimism, hope and resilience. The focus of this literature review will be to highlight studies with empirical evidence on i) psychological capital and earnings, ii) personality traits and job performance, and iii) psychological capital and career success. This review will be helpful for the current study as it will capture diverse elements in the study of psychological capital and earnings and make it cohesive for the context of this study. Further, the studies reviewed here will also be useful because the themes emerged from this study’s findings can be connected to the literature for discussion.

There are two ways that researchers seek to understand psychological factors that influence worker’s earning-related behaviors. In the first case, researchers rely on a variety of indexes. For example, Rosenberg’s (1965) self-esteem index was generated from a host of psychological and physical characteristics (Goldsmith et al., 1997; Waddell, 2006). In the second case, researchers focus only on a specific component of this widely used index, such as having a “positive attitude to life” (for example, see Mohanty, 2009, 2010). As a result, we find that several studies estimate wage equations using a specific attitude variable as an explanatory variable under different econometric specifications. In this context, there are
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