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Internal, external and psychological dimensions of wage evaluation in Lithuania's cultural sector

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Abstract

The article examines the determinants of wages in the cultural sector in Lithuania by integrating theoretical perspectives and empirical evidence from a quantitative survey of cultural workers. Despite the crucial role of wages in ensuring labour market equilibrium, social justice and economic development, employees in the cultural sector frequently perceive their remuneration as inadequate relative to their competencies, responsibilities and the societal value of cultural work. The study investigates how internal factors (job value, relative employee value and employer's ability to pay), external factors (labour market conditions, regional wage levels, cost of living, collective agreements and government regulations) and psychological compensation (meaningfulness, self-realisation and creative freedom) influence employees' wage evaluations. A structured literature analysis and statistical review of national indicators were conducted, followed by a quantitative survey (n = 384), representing cultural sector employees across Lithuania. The findings reveal that internal wage determinants remain the strongest predictors of perceived fairness, whereas external determinants vary depending on socio-demographic variables such as wage level, education and occupational status. Notably, psychological compensation demonstrates significant associations with both subjective wellbeing and financial satisfaction. The results highlight systemic challenges in wage formation, including limited budgetary resources, weak collective bargaining structures and the prevalence of intrinsic motivation among cultural workers. The study contributes to understanding wage-setting complexities in publicly funded cultural systems and provides evidence-based recommendations for policymakers, cultural institutions and sectoral stakeholders.

Keywords: wage determinants, cultural sector, internal and external factors, psychological compensation, sustainable jobs.

1. Introduction

Wages constitute a fundamental element of sustainable labour market functioning, influencing employee wellbeing, social equity and overall economic development. They determine individuals' purchasing power and financial stability, while simultaneously reflecting broader macroeconomic conditions and institutional arrangements. As emphasised by Raziulytė (2011), wage formation is a multidimensional process shaped not only by employees' skills and productivity but also by economic, political and social factors.

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In the cultural sector, wage-setting is particularly complex due to structural dependence on public funding and persistent financial constraints. Cultural organisations often lack the capacity to offer remuneration comparable to that of the private sector, even when employees possess high levels of education and professional competence. At the same time, cultural work is characterised by strong intrinsic motivation, with employees frequently valuing meaningfulness, creativity and self-expression alongside, or even above, financial rewards. Benison et al. (2023) note that such psychological compensation contributes to labour oversupply in the sector, reinforcing wage pressure and limiting opportunities for income growth.

Against this background, the evaluation of wages in the cultural sector cannot be reduced to monetary indicators alone. Employees' perceptions of fairness are shaped by internal organisational factors, external labour market conditions and non-material rewards embedded in the nature of cultural work. Understanding how these dimensions interact is essential for assessing wage formation mechanisms in publicly funded cultural systems and for identifying challenges related to sustainability, equity and workforce retention within the sector.

This study applies a quantitative research design to assess wage determinants in Lithuania's cultural sector. A quantitative survey was used to examine how employees evaluate internal, external and psychological factors influencing wage determination. The methodological approach combines theoretical analysis, a review of empirical studies and a sector-specific survey.

2. Literature review

The scientific literature conceptualises wages as a multidimensional socio-economic category that reflects both the monetary value of labour and the broader institutional mechanisms governing labour markets. Wages perform several key functions, including restorative, motivational and social functions, ensuring employees' wellbeing, work motivation and social security. Martinkus and Savanevičienė (1996) and Stancikas and Vyšniauskas (1997) emphasise that wages serve not only as income but also as a regulatory instrument linking labour productivity, social justice and economic stability. Tamašauskienė, Šileika and Mačiulytė (2008) further argue that wage differentiation is an inherent feature of modern labour markets, shaped by structural, organisational and individual factors.

A substantial body of literature distinguishes wage determinants into internal and external factors. Internal determinants are commonly associated with job value, employee competence, work results and the employer's financial capacity to pay. External determinants include labour market conditions, regional wage levels, cost of living, collective bargaining structures and government regulation. These classifications are widely discussed in Lithuanian labour economics literature by Sakalas et al. (2000) and Žaptorius (2015), who highlight that labour supply–demand imbalances and regional economic disparities play a crucial role in shaping wage expectations and employer behaviour. When labour supply exceeds demand, wage

pressure intensifies, whereas labour shortages encourage wage growth and improved employment conditions.

In publicly funded sectors, such as culture, wage formation is constrained by additional structural limitations. Cultural organisations are often dependent on state or municipal funding, which restricts their ability to adjust wages in response to market conditions. Bruzdeilynaitė and Subačienė (2022) show that in Lithuania internal wage determinants remain dominant even in financially constrained organisations, while external factors such as government regulation and regional wage levels become particularly relevant for lower-income employees. At the macroeconomic level, Barišauskaitė (2023) demonstrates that wage dynamics are closely linked to unemployment, inflation and GDP trends, reinforcing the sensitivity of publicly funded sectors to broader economic fluctuations.

Beyond monetary compensation, contemporary research increasingly emphasises the concept of total reward and psychological compensation. Armstrong and Taylor (2020) and Giancola (2014) argue that non-financial rewards—such as meaningful work, opportunities for self-realisation and autonomy—play a growing role in employee motivation and satisfaction, particularly in sectors where financial remuneration is limited. This perspective is especially relevant to the cultural sector, where intrinsic motivation is often a defining characteristic of employment. Benison, Le and Grimes (2023) demonstrate that cultural workers frequently accept lower wages in exchange for psychological rewards, although this dynamic contributes to labour oversupply and persistent wage pressure within the sector.

The role of institutional regulation and collective representation has also been addressed in the literature. Banerjee et al. (2021) underline the importance of trade unions in reducing wage inequality and strengthening workers' bargaining power, while Jean and Nicoletti (2002) highlight the impact of product market regulation and state intervention on wage structures. In the cultural sector, however, collective bargaining mechanisms are often weak or fragmented, limiting their effectiveness in improving wage outcomes. This observation is supported by European Commission (2020) reports, which identify precarious employment conditions and income instability as common challenges faced by cultural and creative professionals across Europe.

International empirical studies further confirm that wage determinants vary across industries and national contexts. Ganguly and Sasmal (2023) and Kolar and Fir (2024) show that productivity, capital intensity and institutional frameworks significantly influence wage differentials, reinforcing the need for sector-specific and country-specific analyses. Taken together, the literature suggests that wage formation is the outcome of a complex interaction between organisational capacity, labour market conditions, institutional regulation and individual motivation. In the cultural sector, this interaction is intensified by financial constraints and the prominent role of psychological compensation, underscoring the importance of empirical research that integrates both economic and non-material dimensions of remuneration.

3. Methods

The theoretical framework was developed based on scientific literature on wage determinants. Internal factors included job value, relative employee value and personal competencies, as well as teamwork and motivation. External factors encompassed labour market conditions, sector context, industry norms, regional wage differences, living standards, collective agreements and government regulation. In addition, insights specific to the cultural sector—such as budget limitations, reliance on public funding and the role of intrinsic motivation and psychological compensation—were integrated into the analytical framework.

The empirical investigation consisted of an online survey targeting employees of Lithuanian cultural sector institutions, including museums, libraries, theatres, archives and similar organisations. The questionnaire was developed based on the literature on wage factors and included items measuring the perceived importance of internal factors, external factors and psychological aspects of work, as well as demographic characteristics and income-related indicators. Psychological compensation was assessed through items related to meaningfulness, self-realisation and creative freedom. Most questions used 5- or 4-point Likert scales, with higher values indicating greater perceived importance.

The survey was administered via the apklausa.lt platform. Based on official statistics indicating 27,006 individuals employed in the cultural sector in 2023, the required representative sample size was calculated as 394 respondents. In total, 384 valid responses were collected, which meets representativeness requirements. Participation was voluntary and anonymous, and mandatory questionnaire items ensured data completeness. All ethical standards applicable in Lithuania were observed.

Data analysis was conducted using SPSS. Descriptive statistics, including means, standard deviations and frequency distributions, were used to summarise respondent characteristics and factor evaluations. Group comparisons by gender, age, education and location were performed using nonparametric tests due to the ordinal nature of the data: the Mann–Whitney U test was applied for two-group comparisons, and the Kruskal–Wallis test for comparisons across multiple groups. Spearman correlation analysis was used to examine relationships between socio-demographic characteristics, evaluations of wage determinants and the association between psychological compensation and wage satisfaction. Significance level of 0.05 was applied in all statistical tests.

4. Results

The empirical findings provide a structured overview of how employees in Lithuania's cultural sector evaluate wage determinants, wage satisfaction and the perceived structural challenges of remuneration. The analysis is based on a quantitative survey of 384 respondents.

The socio-demographic profile of respondents indicates clear sectoral patterns. Women constituted 75.8% of the sample, while men accounted for 24.0%. The

educational structure suggests a highly qualified workforce: 38.8% of respondents held a Master's degree or higher, and 38.0% held a university degree. In terms of occupational roles, cultural/arts workers represented the largest group (52.3%), followed by managers (27.3%) and administrative staff (15.9%). More than half of respondents (57.6%) reported over 10 years of experience in the cultural sector, indicating a predominantly experienced workforce. Geographically, most respondents worked outside the three largest city regions: 64.3% were employed in other counties, while 21.9% worked in Kaunas county, 7.3% in Vilnius county and 6.5% in Klaipėda county. With regard to pay systems, the mixed wage form (base wage + bonuses) dominated (52.9%), while 39.3% received time-based pay and 7.8% reported piece-rate pay. The distribution of monthly gross wages (before taxes) shows substantial dispersion: 44.1% of respondents earned no more than EUR 1,600 per month, 21.1% earned EUR 1,601–2,000, and 19.0% reported earnings exceeding EUR 2,500. This distribution reflects the general wage conditions prevailing in the sector and highlights persistent income limitations affecting a substantial share of cultural workers.

Internal wage determinants were identified as the most influential factors shaping perceptions of fair remuneration. Among these, the employer's ability to pay received the highest evaluation (mean = 3.91), followed by job responsibility (3.74) and employee competence and work results (3.54). These results indicate that respondents primarily associate wage fairness with internal organisational characteristics rather than external labour market conditions (Figure 1). Higher-income respondents attributed significantly greater importance to employer capacity and responsibility-based determinants ($p < 0.05$), suggesting that internal wage-setting mechanisms become more salient with increasing income levels.

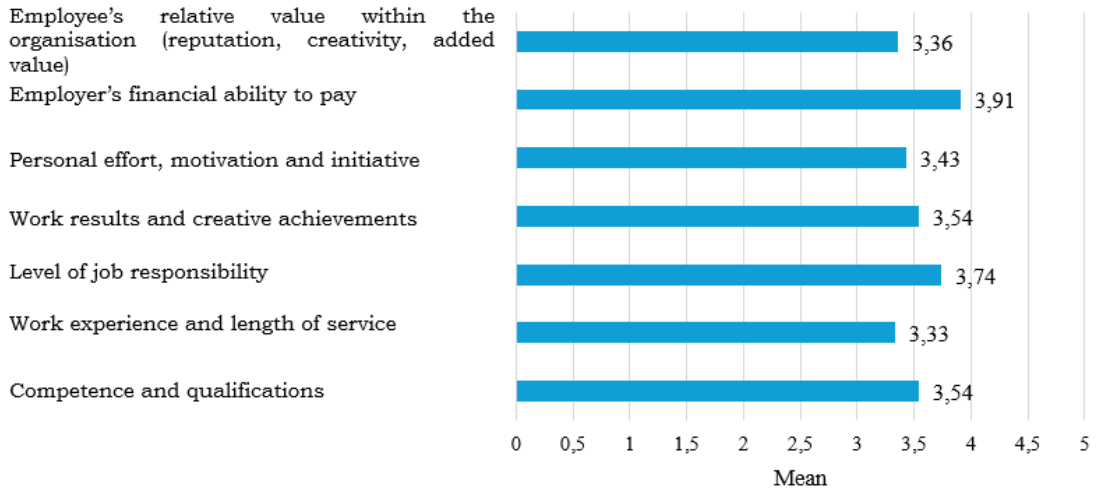

Fig. 1. Internal wage determinants (mean values)
Source: designed by the author, based on survey data.

External wage determinants were evaluated as moderately important, with noticeable variation across factors. Government influence, particularly minimum

wage policy, received the highest assessment (3.73), followed by regional wage levels (3.23) and labour market conditions (2.96). Trade unions and collective agreements were perceived as the least influential, which is consistent with the limited role of organized labour reported by respondents (Figure 2). Middle-income employees (EUR 1,601–2,000) attached significantly greater importance to labour market conditions ($p = 0.044$) and union activity ($p = 0.032$), indicating a stronger reliance on external protective mechanisms within this group.



Fig. 2. External wage determinants (mean values)
Source: designed by the author, based on survey data.

The main barrier to competitive wages was clearly identified as insufficient state/municipal funding (71.1%). Other barriers were selected far less frequently: low regional wage levels (9.6%), limited institutional autonomy (8.9%), an unstable economic situation (7.0%) and weak trade union activity (3.4%). (Figure 3).

Satisfaction with wage-related aspects was moderate overall (mean range 3.06–3.47). Respondents rated the contribution of wages to quality of life highest (3.47) and the motivational function of wages lowest (3.06), suggesting that wages meet basic needs but are less effective as a motivational tool (Figure 4).

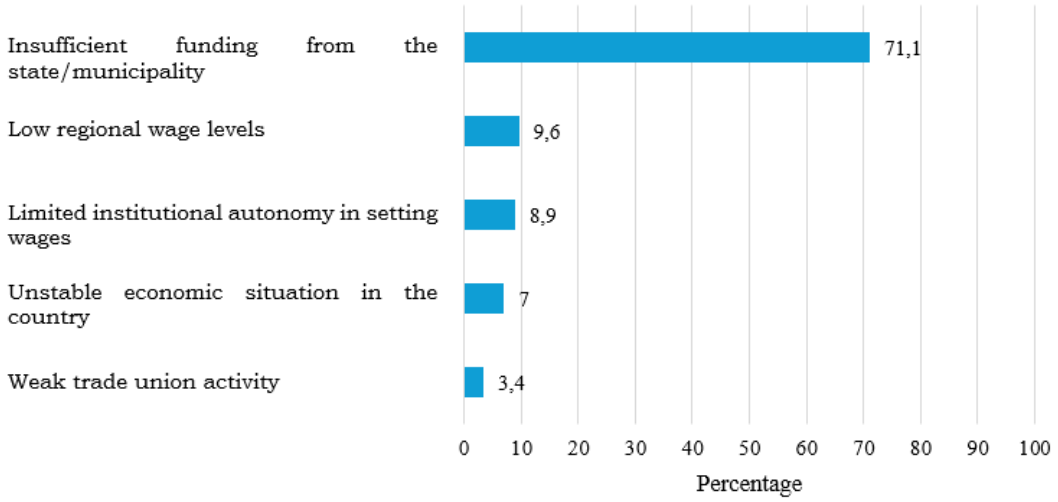

Fig. 3. The main factors hindering the provision of competitive wages (%)
Source: designed by the author, based on survey data.

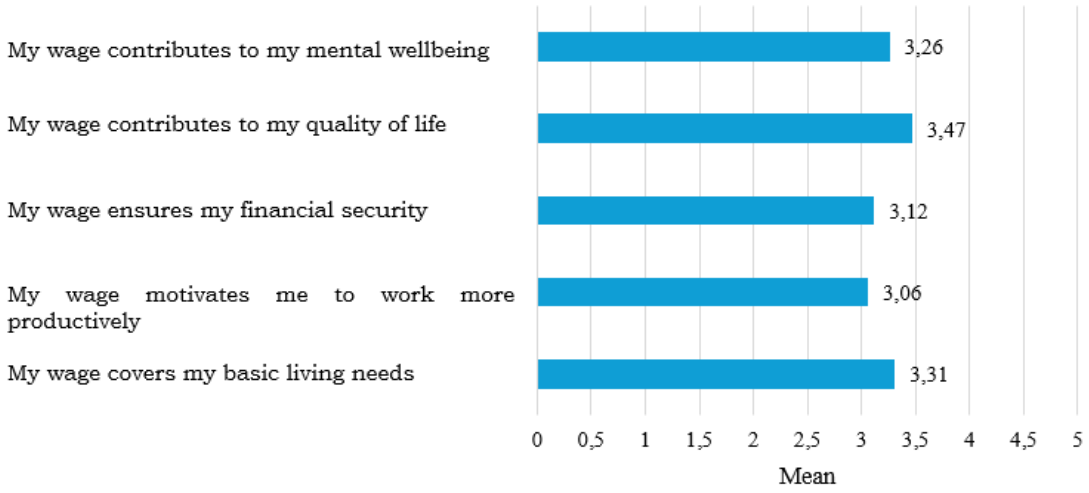

Fig. 4. Satisfaction with wage-related aspects (mean values)
Source: designed by the author, based on survey data.

Correlation analysis showed that wage level is strongly associated with wage satisfaction, especially regarding basic living needs ($r = 0.469$, $p < 0.001$), financial security ($r = 0.335$, $p < 0.001$) and motivation ($r = 0.328$, $p < 0.001$). Psychological compensation (meaningful work, self-realisation) was evaluated very highly (mean = 4.23) and showed weak but significant positive relationships with mental wellbeing ($r = 0.174$, $p = 0.001$) and satisfaction with basic needs ($r = 0.164$, $p = 0.001$).

Respondents also strongly recognised sectoral structural problems. They agreed that limited funding and low recognition distort the balance between remuneration and working conditions (mean = 4.00) and that insufficient funding makes it difficult

to retain employees (mean = 3.91). These two perceptions were moderately related (r = 0.541, p < 0.001) (Figure 5).

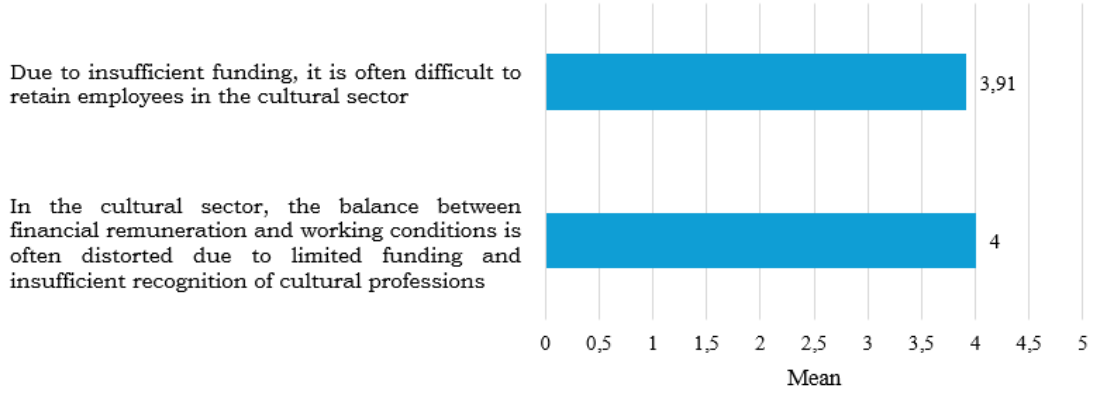

Fig. 5. Evaluation of perceived structural problems in the cultural sector (mean values)
Source: designed by the author, based on survey data.

Differences between respondent groups further clarify the factors shaping wage evaluations. Higher-educated employees placed greater importance on psychological compensation and living standards, while managers rated responsibility-based determinants more highly. Lower-income respondents attributed greater importance to labour market conditions, regional wage levels and trade union activity.

One of the most striking findings concerns the financial vulnerability of the cultural workforce. A total of 55.5% of respondents reported working an additional job to supplement their income, indicating that primary wages in the cultural sector are insufficient for many employees to maintain an acceptable standard of living. This finding underscores the structural nature of wage challenges in the sector and aligns with theoretical claims regarding underfunding and limited wage-setting capacity in publicly funded cultural institutions.

Overall, the results demonstrate that internal wage determinants constitute the strongest predictors of perceived wage fairness, while external determinants play a more contextual role. Psychological compensation significantly contributes to employee satisfaction and wellbeing, highlighting the dual nature of remuneration in the cultural sector, where intrinsic motivation frequently compensates for limited financial rewards.

5. Discussion

The results confirm that internal organisational factors are the primary determinants of wage perceptions in the cultural sector. Respondents consistently rated the work environment, leadership, and personal competencies as more important than broader sectoral or industry-related factors. This finding aligns with existing research (e.g., Bruzdeilynaitė and Subačienė 2022) on publicly funded organisations, which

demonstrates that individual and institutional factors largely explain wage differences when pay scales are fixed by policy. In practice, this suggests that employees perceive their own skills and work context as the main basis for fair pay, reflecting the sector's reliance on individual initiative and supportive management.

The prominence of psychological and non-monetary rewards is also evident in the findings. Cultural workers placed high value on intrinsic motivation and meaningful work. This supports the view that non-financial aspects of employment—such as autonomy, a sense of mission, and recognition—contribute significantly to employee satisfaction, consistent with the total rewards perspective (Armstrong 2010). However, the results also indicate that these intangible rewards have limits: many respondents reported the need for secondary employment due to low salaries. Thus, while a satisfying work environment may enhance well-being, it cannot fully substitute for adequate pay. This highlights a persistent tension in the cultural sector, where high motivation and mission-driven work coexist with ongoing financial hardship.

Demographic patterns with practical implications were also identified. Female respondents tended to emphasise intrinsic and competence-related factors more than male respondents, which may reflect gendered values or occupational role distributions commonly observed in public service professions. Older and rural-based employees assigned greater importance to external sectoral and demographic factors, suggesting that individuals with longer tenure or those working outside urban centres may be more aware of funding constraints and labour market limitations. These patterns underscore that efforts to improve wages in the cultural sector should address both individual and structural dimensions. For instance, policy measures such as increased cultural funding, the establishment of transparent pay scales, and the strengthening of collective bargaining mechanisms could help align salaries with employee expectations. At the organisational level, recognising employee competencies and providing career development opportunities may further reinforce the non-monetary factors valued by employees.

6. Conclusions

The empirical analysis confirms that wage formation in the Lithuanian cultural sector is driven predominantly by internal organisational factors. Employees most strongly associated fair remuneration with the employer's financial capacity (mean = 3.91), the level of responsibility required in their position (3.74) and their own competence and work results (3.54). These findings reinforce theoretical arguments that internal determinants remain the core basis of wage-setting, particularly in sectors where financial resources are limited and remuneration cannot be directly aligned with market benchmarks. External factors were evaluated as moderately important, especially government regulation (3.73) and regional wage differences (3.23), yet their influence proved more substantial among respondents with lower incomes. This suggests that financially vulnerable employees are more sensitive to wider economic conditions that shape wage expectations beyond the organisation itself.

Psychological compensation emerged as a defining characteristic of employment in the cultural sector. Meaningful work, self-realisation and creative freedom received the highest combined evaluation (4.23), demonstrating that non-material aspects of employment form an integral part of the overall compensation structure. The correlations between psychological rewards and wage satisfaction indicators—most notably the link between meaningful work and mental wellbeing ($r = 0.174$)—highlight the multidimensional nature of remuneration in fields where intrinsic motivation is central to professional identity. However, the fact that 55.5% of respondents supplement their income with additional work underscores that psychological benefits do not offset structural financial limitations. This finding reflects the chronic underfunding of cultural institutions and suggests that intrinsic rewards, while important, cannot sustain employee wellbeing in the absence of adequate financial compensation.

Differences among respondent groups further illuminate the dynamics of wage evaluation. Higher earners placed more weight on internal determinants, while lower earners and employees outside major urban centres emphasised external conditions such as labour market pressures, trade union activity and regional wage disparities. Higher-educated respondents rated psychological compensation more highly, indicating that intrinsic motivation intensifies with higher levels of cultural or academic capital. Meanwhile, employees paid by piece rate attributed significantly greater importance to labour market conditions ($p = 0.016$), suggesting that the structure of remuneration shapes sensitivity to external forces. These differences demonstrate that wage formation in the cultural sector is not a uniform process but one shaped by the intersection of financial stability, professional status and motivational orientation.

Overall, the study shows that wage evaluation in the cultural sector is built upon a combination of organisational determinants, external structural influences and psychological rewards. While intrinsic motivation enhances satisfaction and partly offsets wage constraints, it cannot replace financial adequacy. Strengthening wage-setting mechanisms, improving funding structures and ensuring that psychological compensation complements rather than compensates for low salaries are essential steps toward building a more sustainable and equitable cultural labour system in Lithuania.

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