

PREFERENCES AND VALUATION OF BENEFITS

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ABSTRACT

Measuring Total Compensation (TC) for work has changed over the last century; consisting of only monetary compensation in the past to including a full menu of new (and costly) benefits. For example, many companies now offer a flexible benefits plan— where the employee can choose their own benefits from a menu of options. Over the past few decades, companies have begun to offer many non-compensatory benefits such as flex-time and employer provided child care. Unfortunately, men and women are likely to value these benefit options differently. Valuation of total compensation, especially non-compensatory benefits, is subjective to each individual person. Values for non-compensatory benefits may differ based on demographics such as gender or age. In order to determine the value of TC, a scale to measure compensatory and non-compensatory benefits together must be created. Measurement of total compensation is complex since compensatory benefits can be measured using dollar values and non-compensatory benefits have no common value.

People make decisions throughout their life circumstances based on motivation and the expected value of the outcome. From organizational behavior, expectancy theory claims that “people will be motivated to exert effort on the job when they believe that doing so will help them achieve the things they want.” Motivation is influenced by expectancy, instrumentality and valence. This study focuses on valence; “the perceived value of the expected rewards.”

To date, there is no standard, accepted methodology to value non-compensatory benefits. Prior literature has been divided into two primary groups. First, those focusing on gender inequity in the workplace and the other focusing on female participation in the workforce. Much of the previous literature has focused on the number of women in the labor force and those determinants that influence their decisions to be in the labor force. Decisions are often influenced by complex demographics as well as a person’s life situation. There is a gap in the literature for the decision making process surrounding a person’s choice to accept non-compensatory benefits and the value they receive from them.

By understanding the preferences and values people place on benefits, employers can make meaningful compensation packages available to future employees. This may improve job satisfaction, organizational commitment and reduce turnover rates. Currently valuing benefits is difficult because it is a quantitative versus qualitative comparison. Many people and companies value compensation only on the monetary value. Benefits have different values for different people and are difficult to place a “solid” monetary value on. Therefore, the primary research question of this study focuses on the valuation of benefits and the preferences people have for them based on various demographics. For example, women with young children may value flex-time at work more than men with young children or women in other categories. Young children are more likely to get sick and the mother is more likely to take care of her sick children. Men with young children are likely to have wives that will take care of their children when they get sick or will pick them up after school. Women with older children or with no children may not value flex-time as much or at all.

The hypotheses that will be tested focus on the decision making of people based on gender, family structure, and benefit classifications. For example, women with more than one child value life

management benefits more than women with only one child and women with no children. Family structure is based on marital status and the presence of children in the household. Benefit classifications are life management benefits and other benefits. For example, life management benefits include health insurance and flex-time. Other benefits, for example, would include pensions.

A survey will be used to sample subjects from a population of cost accountants in the Pacific Northwest following the Dillman Procedure (2000). The survey will be administered to members of the local chapter of the Institute of Management Accountants. The measures used in this study were adapted from previously validated instruments (job satisfaction: Brayfield and Rothe, 1951; organizational commitment: Jones, 1986; and turnover intent: Landau and Hammer, 1986) and also from existing literature to create measures for valuing nonmonetary compensation. The data will be collected using an online survey and analyzed via an ANCOVA.

Preliminary results are suggestive that men and women value non-compensatory benefits differently. As such, men and women likely make decisions about employment options based on their value of compensatory and non-compensatory benefits. Further, it might be reasonable to conclude that the TC of women is on par with that of men. With a better understanding of the true value of non-compensatory benefits, it is possible that the “wage gap” between men and women is negligible when non-compensatory benefits are used to determine TC. Further, women may take jobs with lower monetary compensation to get the non-compensatory benefits they desire.