Necessity of Effective Communication About Salary and Other Benefits of Entry Level Positions: An Empirical Study

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Necessity of Effective Communication About Salary and Other Benefits of Entry Level Positions: An Empirical Study

Iftekhar Amin Chowdhury*

Abstract: The present study evaluates the influence of quality of information communicated about both basic and other benefits on the recruitment of university graduates. Using a sample of students who were about to engage in the job search process, the study varied the quality of information describing benefits and examined how communicating different degrees of information influenced willingness to accept a job. Increasing the quality of information communicated about basic decreased the willingness to accept job offers. However, increasing the quality of communication about other benefits increased respondents’ perceived value of those benefits in making job choices. This study investigates the reactions of prospective university graduates’ to the quality of benefits communication on their willingness to accept a hypothetical job offer. The Analysis of Variance (ANOVA) protocol was used to investigate basic and non-basic salary for entry level job seekers. After analyzing the data, it is clearly identified that students’ seeking employment seems to value basic benefits more than non-basic ones. Although the data showed that increased information about basic benefits reduced the willingness among subjects to accept job offers, the degree of influence was still larger than for non-basic benefits.

1. Introduction

The ability to recruit the best applicants’ helps firms develop a superior labor pool those provide a competitive edge (Capelli, 2000) and have a direct effect on firm financial performance (Huselid, 1995). Effective communication with job applicants appears to be a powerful tool in the recruitment process (Ralston & Brady, 1994). If recruitment is viewed as the process of marketing a place of employment to a desired job applicant (Maurer, Howe, & Lee, 1992), communication of information regarding the work context is essential in securing desirable applicants. Numerous studies have assessed the impact of communication on the recruiting process. Communicating positive information about the work context (Saks & Wiesner, 1994) and the firm’s social reputation appears to influence the willingness of applicants to accept job offers (Cable & Grahm, 2000). Communicating information about affirmative action programs seems to influence the willingness of minorities to accept job offers (Highouse, Stierwalt, Bchiochi, Elder, &

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Fisher, 1999). Having prompt communications with job applicants has been demonstrated to affect the willingness of applicants to accept job offers (Rynes, Bretz, & Gerhart, 1991).

While these studies suggest that communications about contextual attributes significantly affect potential job-seekers willingness to pursue a job opportunity, other research indicates that the communication of information regarding benefits is likely to influence applicants’ willingness to accept job offers (Nagel & Bohovich, 2000; Smither, Millsap, Stoffey, Reilly, & Pearlman, 1996). Thus, effective communication about benefits may also contribute to successful recruitment of desired manpower.

There is consensus among academics and practitioners that communication to job seekers about compensation practices and benefits in particular is often inadequate. Research suggests that entry level job seekers are often confused or have incomplete information regarding compensation and benefits. Furthermore, the study noted that even though employees list benefits as an important reason for working with a particular organization, many cannot name all of their benefits, let alone completely understand them. This parallels research that graduating university students have inadequate knowledge of common starting salaries (Betts, 1996). Research on benefits communication that provides detailed information about different types of benefits is limited. A research study addressed the need of tailoring methods of communication about benefits to more effectively recruit desired employees (Hettenhouse, Lewellen, Lanswer, & James, 1975).

This article addresses benefits communication associated with influencing employee recruitment. To address how the quality of benefits communication affects recruitment of new university graduates, this study explores the role of benefits communication about both basic and non-basic benefits in attracting new entry-level job seekers to the organization. I address how the quality of communication about basic and other benefits influences the willingness to accept job offers by soon to be graduating university students. The paper also examines the influence of basic and other (non-basic) benefits on applicants’ willingness to accept job offers.

2. Review of Research Literature

2.1 Communication and Recruitment

Recruitment is commonly viewed as an element in the socialization process prior to organizational entry. During this stage, employers attempt to attract the type of employee who is most likely to be successful in the organization. This is done, in part, because selection is a two way decision-making process (Rynes, Bretz & Gerhart, 1991). That is,
employers need valid and reliable information to select job applicants. Job applicants need valid and reliable information to assess the degree that the work context matches their work preferences. In both cases, there is a need for effective communications to ensure that both the employer and the employee get the information they need to reduce the uncertainties and ambiguities associated with starting a new job (Holder, 1993).

The dominant line of communication research about recruitment has addressed the realistic job preview (Premack & Wanous, 1985). The realistic job preview emphasizes the need to communicate with prospective employees about the commonly shared positive and negative aspects of a given job situation. Typically, this information focuses on job duties which are one important element influencing applicants’ willingness to accept job offers. However, Saks and Ashforth (1994) suggest that the realistic job preview, compared to the basic job preview that emphasizes positive information only, diminishes applicants’ willingness to accept a job offer but it increases the retention of employees.

2.2 Benefits and Communication

Benefits are often directed toward the male with a nonworking wife and children (Baker, 1991). Thus, basic benefits address family income security for a single wage earner family, and include benefits such as disability insurance, health insurance, retirement funding, and life insurance. However, employers are increasingly adopting non-basic benefits, such as flexible work arrangements, telecommuting, portable retirement plans, and corporate sponsored day care centers (Elswick, 2000). While non-basic benefits are more likely to be offered by large organizations, such benefits are also found in smaller firms. For example, flexible work arrangements are relatively common in small businesses, and a significant number of small businesses also offer day care (Henneman & Berkely, 1999).

Some firms realize benefits are an effective tool to increase the willingness of candidates to accept job offers (Wojcik, 1998). However, to use this approach successfully, it is necessary to have a system to communicate information about the benefits to job applicants. Without successful efforts to communicate these benefits, it is unlikely that offering such benefits will have the desired impact on organizational recruitment efforts. Over the last four decades, research suggested that benefits communication is often deficient. Sloane and Hodges (1968) suggested that employees lacked adequate knowledge of benefits offered by their employer. These researchers conducted a survey on 174 white collar workers in a large organization that invested $300 million each year in benefits. The researchers characterized employees’ knowledge of benefits as “less than brilliant.” Another research project that studied two mediumsized plants of two
international companies showed respondents were not aware of all of the benefits offered to them; nor did they understand the value of the benefits that were provided (Holley & Ingram, 1973). It would appear that not only are employees unaware of the benefits being provided to them; they do not have full knowledge of the financial value of the benefits offered.

Hettenhouse, Lewellen, Lanswer, and James (1975) administered a survey to 300 individuals in management to measure perception of actual monetary replacement costs for common benefits offered. The researchers reported that approximately one-third of the respondents believed the cost of providing their own pension plan was lower than it actually was. About one-half of those surveyed placed a lower than actual value on deferred pay, profit-sharing, extra vacation time, and stock options, while four out of five misperceived the worth of company provided life insurance. Another study ten years later reported similar results with university employees (Wilson, Northcraft, & Neale, 1985). This lack of awareness and the employee or potential employees’ failure to fully appreciate their employee benefits may lead to increased spending on employee benefits without deriving any of the anticipated positive outcomes. Collectively, these research studies imply that the nature and types of benefits may not be adequately communicated to employees either before or after organizational entry.

Existing research on benefits communication focuses on current employees. Presumably, external recruits would be less informed about benefits than current employees. External recruits have less exposure to employer specific benefits packages and are usually not forced to examine benefit issues until they participate in employee orientation and begin the benefits enrollment process.

We suggest that an absence of benefits communication provided to job applicants is likely to marginalize the impact of benefits on recruitment effectiveness. Such communication is important because benefits vary significantly across firms. Indeed, the amount of coverage, benefit eligibility, and employee contributions are all likely to significantly vary. It is also reasonable to assume that effective benefits communication should significantly influence most applicants’ willingness to accept offers. I believe that the research suggests that the more descriptive information about coverage and more complete the financial information about benefits, the more likely that applicants will consider this information when evaluating different types of job opportunities. Improved benefits communication regarding the quality of the benefits should correspondingly increase the effectiveness of employer recruitment efforts. Given that past research suggests that current employees tend to deflate actual benefit costs, such information should be seen as a tool to strengthen recruitment by increasing the perceived value of the
total financial compensation package of the employer. The following hypotheses are posited for investigation:

H1. As the quality of benefits communication increases for basic benefits, graduating university students’ willingness to accept a job offer will increase.

H1. As the quality of benefits communication increases for non-basic benefits, graduating university students’ willingness to accept a job offer will increase.

2.3 Basic and Non-basic Benefits

The extent to which different types of benefits influence employee recruitment is unclear. Williams and Dreher (1992) reported that the total package of basic benefits was associated with greater numbers of job applicants in the banking industry, but that these data were unrelated to the acceptance of job offers. However, the researchers failed to find that any single benefit, such as medical coverage or paid time off, had an impact on either solicitation of applicants or acceptance rates. In a similar vein, other research suggests that different types of benefits have little impact on the acceptance of job offers (Huseman, Hatfield, & Robinson, 1978; Krueger, 1988). These findings may be explained, in part, by the fact that benefits are often undervalued and the value of the benefits was not clearly explained.

These empirical findings stand in contrast to practitioner oriented articles that advocate that the employer should modify benefits to effectively recruit, attract, and retain a broader demographic employee base (Conroy, Caldwell, Buehrer, & Wolfe, 1997; Milligan, 1999;). These and other authors advocate the adoption of a menu of other benefits that have often been called “work/life benefits” because they allow employees the opportunity to better balance their work with life outside of work. While research suggests that basic benefits are likely to facilitate recruitment efforts, there is a need to investigate the degree to which different packages of benefits (basic and non-basic) influence recruitment effectiveness. In particular, basic and non-basic benefits may differentially influence university graduates’ willingness to accept job offers. This is important because one might reasonably assume that employers would appropriately allocate their benefit in monetary costs to maximize applicants’ willingness to accept job offers and decide how to effectively communicate those benefits to recruits. The following research question is posted to address this issue:

Research Question 1: Do basic and other (non-basic) benefits differentially influence graduating university students’ willingness to accept job offers?
3. Methodology and Data Source

This study investigates soon to be graduating university students’ reactions to the quality of benefits communication on their willingness to accept a hypothetical job offer. The Analysis of Variance (ANOVA) protocol was used to investigate basic and non-basic salary of entry level job seekers.

3.1 Sample

480 students who were taking major courses in different public and private universities in Bangladesh interviewed to identify the implication of job offerings. Efforts were made to gain the participation from instructors to administer the survey to students in these classes. The classes were selected randomly because they largely consisted of graduating students for whom the information about job search would be most salient. Every attempt was made to ensure that most of the universities were included in the sample. Even though the selected classes did not represent every university, majors from most of the universities participated in the survey. Of the students who were given a survey, 446 or over 90 percent of the students completed a survey. 55 percent of the respondents were male, 70 percent under the age of twenty two, 89 percent were single, and 95 percent had no children. These demographic characteristics are largely representative of the basic university student.

A graduating student sample was used for this study because many of the students would soon be looking for an entry-level job. Most of the participating students are going to be prospective job seekers, and correspondingly, their attitudes toward the importance of different benefits are likely to reflect their future job choices. Additionally, entry-level positions for university graduates are of great interest to many businesses as universities are primary recruitment source for entry-level positions.

3.2 Measurements of the variables of basic and non-basic benefits

The dependent variable measured in this study was the degree to which basic and other (non-basic) benefits influenced the willingness of graduating students to accept job offers. The surveys included a list of basic and non-basic benefits. For each individual benefit, respondents were asked to assess how much of an effect that benefit would have on their decision to accept a job when offered another job at similar pay. A four point Likert scale was used. On the scale “1” indicated a great positive effect on the willingness to accept a job, “2” a moderate positive effect on the willingness to accept a job offer, “3” a minimal positive effect willingness to accept a job offer, and a “4” indicated no effect. Exploratory factor analysis was used to examine the structure of the benefits. The
benefits were placed into a two-factor solution because I assumed there were only two factors: basic and other (non-basic) benefits. The factor analysis (see Table 1) supported the dichotomy of basic and non-basic benefits.

Basic benefits included: Salary Tk. 15000 (min.) in a month, Medical Spending Account, Medical Insurance, Sick and Vacation Days, Dental Insurance, Maternity or Paternity Leave, Tuition Reimbursement, Group Term Life Insurance, Long Term Disability Plan, and the Dependent Care Account. Non-basic benefits included: Onsite Fitness Center, In house Employee Assistance Program, Onsite Dry Cleaning, Onsite Convenience Store, Onsite Cafeteria, Telecommuting, Two hour variable start and finish time, and Onsite Legal Assistance. Corporate sponsored onsite day care, flexible work arrangements and four day work week were deleted because they failed to load on either basic or non-basic benefits. Internal reliabilities were then assessed. The alpha for other benefits was .77 and the alpha for the basic benefits was .80. These two separate factors were used as the dependent variables for both the hypothesis and the research question.

The primary independent variable was the quality of benefits communication, which constitutes a between subjects condition with three levels. The variable was created by distributing three types of surveys. The surveys were arranged prior to administration to ensure they would be evenly and randomly distributed in each class. Each survey listed the 23 benefits, but differed in the quantity and quality of information. Survey I (low detail) listed the benefits but did not provide any additional information. Survey II (moderate detail) listed the benefits and provided a brief description of each benefit. Survey III (high detail) listed the benefits, provided a brief description of each benefit, and stated the total monetary cost of the benefit and the cost to the employee. For example, Survey I listed “15000 plan”; Survey II listed “15000 plan” and provided the description “Employer sponsored retirement plan that lets participants match employer contributions.”

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Basic Benefits</th>
<th>Other (Non-Basic) Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Onsite day care center</td>
<td>.23</td>
<td>.25</td>
</tr>
<tr>
<td>Onsite fitness center</td>
<td>.07</td>
<td>.52</td>
</tr>
<tr>
<td>In House Employee Assistance Plan</td>
<td>.06</td>
<td>.59</td>
</tr>
<tr>
<td>Onsite dry cleaning</td>
<td>-.12</td>
<td>.78</td>
</tr>
<tr>
<td>Onsite convenience store</td>
<td>.092</td>
<td>.75</td>
</tr>
<tr>
<td>Onsite cafeteria</td>
<td>.09</td>
<td>.63</td>
</tr>
</tbody>
</table>
Survey III included the previously stated information about 15000 plans and provided the following cost information. “For every 1% of salary that you contribute the employer contributes 2% up to a maximum total contribution of 15%. For a Tk. 15000 monthly salary, the maximum employer contribution is Tk. 1500.” The difference in detail provided is also demonstrated in the sample item “Onsite legal assistance.” Survey I simply stated “Onsite legal assistance.” Survey II included the description, “Employer sponsored legal assistance, such as consultations, drawing up wills, divorce, etc.” Survey III added the “total benefit cost” and “your cost”. Total cost includes the employer and employee’s contribution which signifies how much the benefit is “worth” in amounts. When possible, the costs for other benefits were determined by contacting area employers that offered an equivalent benefit. I then determined an average amount that it would cost employees purchase that benefit on their own. For the non-basic benefits that had a cost value, the “your cost” ranged from free to 80 percent of the total cost. Although the majority of the benefits were offered at an approximately 20 percent discount, some services such as the onsite fitness center, counseling sessions, and legal assistance were offered free of charge to employees.
Table 2. One-way ANOVA for Communication of Benefits

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BASIC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>1.88</td>
<td>2</td>
<td>.94</td>
<td>5.25</td>
<td>.01</td>
</tr>
<tr>
<td>Within Groups</td>
<td>75.38</td>
<td>421</td>
<td>.18</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77.26</strong></td>
<td><strong>423</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NON-BASIC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>1.98</td>
<td>2</td>
<td>.99</td>
<td>3.21</td>
<td>.04</td>
</tr>
<tr>
<td>Within Groups</td>
<td>130.16</td>
<td>422</td>
<td>.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>132.14</strong></td>
<td><strong>424</strong></td>
<td></td>
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</tr>
</tbody>
</table>

The total cost of basic benefits, such as medical and dental insurance, were assigned the actual value paid by a large employer in the area. Similarly, the “your cost” for the basic benefits was assigned the actual premium contribution required to be paid by employees.

4. Results

ANOVA was conducted to determine if the decision to accept a job offer when offered another at similar pay was influenced by the amount of benefit information provided in different surveys (Hypothesis 1). As shown in Table 2, the test yielded an overall F value of 5.25 for basic benefits (eta = .024) and 3.21 for non-basic benefits (eta = .015), indicating that the amount of information received significantly influenced respondents’ willingness to accept job offers. For basic benefits, Survey I yielded a mean score of 1.48. Survey II had a mean score of 1.48 even though a description of the basic benefit was provided. Survey III’s mean score was 1.62. Survey III was significantly different from Surveys I and II.

For non-basic benefits, Survey I had a mean score of 2.40. Survey II, which offered a descriptor of the non-basic benefit, yielded a mean score of 2.31. Last, Survey III, which provided a description and monetary value of the non-basic benefit, had a mean score of 2.23. The results show that the third and the first survey differed significantly. Given that the benefits deemed more important had a lower value, the results suggest that when students were provided financial information on other benefits, the increased information positively influenced their willingness to accept a job offer in choosing between two jobs of similar pay. However, the reverse was true for basic benefits.
A paired sample t-test was conducted to determine if there was a difference in the type of benefit preferred by graduating university students, regardless of survey type (Research Question 1). These results showed that there was a significant difference between basic and other benefits on the willingness to accept a job offer, with students strongly preferring basic to non-basic benefits (df = 424; t = 25.19; p value = <.001). The mean score for non-basic benefits across all survey types was 2.20 with a standard deviation of .55, and the mean for basic benefits is 1.51 with a standard deviation of .42. Given that the benefits deemed more important had a lower value, the results showed that basic benefits were more likely to influence the willingness to accept a job against similar types of job than non-basic or other benefits.

5. Discussion

The results partially support and partially fail to support the hypothesis regarding benefits communication. Data indicated that increasing the quality of information regarding benefits increases the value of non-basic or other benefits and decreases the value of basic benefits. These results suggest that communication and benefits is likely to interact with the perceived value of those benefits in complex ways. Regarding non-basic benefits, one can assume that information is useful because graduating students may be less familiar with these benefits than with basic benefits. The higher quality information is likely to lead to an improved understanding of this relatively newer type of benefit. Graduating students are unlikely to have given much consideration about the financial costs associated with these newer benefits and the information provided may have made these benefits appear to be more significant. In contrast, university recruits’ familiarity with the historically older benefits is likely to be higher, which would minimize the impact of benefits communication on willingness to accept job offers. However, university graduates may inflate the monetary value of basic benefits, and the improved quality of information reduces the willingness of job applicants to accept job offers.

Inflated perceptions of the monetary value of basic benefits may occur because most university recruits have not been direct recipients of employer provided benefits and are therefore likely to be ill-informed about them. Many university students have either held part time jobs or seasonal jobs and have never been eligible to participate in the benefits selection process. Consequently, an information asymmetry may exist. If so, this would help explain why respondents tended to overestimate the actual monetary value of basic benefits. This finding may be peculiar to university graduates who are not commonly eligible to receive these benefits.

The preference for direct versus indirect wages may also partially explain the inflated values of basic benefits found in the present study. Economic theory supports the
assumption of the negative wage/benefits tradeoff (Ehrenberg & Smith, 1997). This “no free lunch” theory asserts that employees ultimately pay for their own benefits. If employees receive more generous benefits, they receive lower wages. Ehrenberg and Smith (1997) propose that employees who are young and poor tend to prefer compensation packages that offer higher wages and fewer benefits; whereas employees with families and high incomes prefer more employee benefits that provide a relatively large tax savings. Communicating the monetary value instead of a simple benefit listing accentuates this tradeoff. Graduating students in my investigation may have, in fact, signaled a preference for higher direct wages and fewer benefits as more information about actual group benefit costs was made available.

Regarding the research question examined in this study, the results suggest that basic benefits were more important than non-basic benefits to graduating university students seeking employment. There may be three possible explanations for these preferences.

First, basic benefits increase the prospective employee’s total compensation relative to non-basic or other benefits. The actual monetary value of basic benefits exceeds the actual monetary value of non-basic benefits. Thus, graduating students may be sensitive to total compensation issues even when they are not provided the actual monetary value of those benefits as done in the third survey. Second, basic benefits are valued more highly than are non-basic benefits because university students may perceive that the former is of high quality, expensive, and difficult to obtain outside the employment setting. Media attention and public interest in the high cost of the country’s health care system and Social Security financing problems may support this perception. Third, non-basic benefits become important at different life stages (Haslinger & Sheerin, 1994). Consequently, the sample used in this study may explain the preference for basic benefit. Most of the students in my sample were childless (89%) and unmarried (95%) and, presumably, would have little need for non-basic benefits that minimize work and family conflicts, such as onsite day care, employee assistance programs, and onsite dry cleaning. Therefore, non-basic or other benefits may be less important than basic benefits when making a job choice among my subjects.

To the extent that my data can be generalized to most university recruits showing that these would be employees who prefer basic over other benefits, employers may wish to focus on the value adding aspects of basic benefits when recruiting university graduates. This tactic is likely to affect recruiting success rates when all other attributes are similar. While non-basic benefits may serve retention purposes and may be more relevant if employers are recruiting seasoned labor force participants, the results of my study suggest that offering or expanding non-basic benefits to recruit university graduates is not likely to be an effective strategy.
I recognize that there are at least three limitations to my investigation. First, I focused on the “traditional” university student. Future studies concerned with the relationship between benefits and recruitment might make use of less traditional subjects, such as older employees with children and single parents. Yet, many firms rely on university recruiting for entry-level positions (Rynes & Boudreau, 1986). For these firms, the results presented here are highly relevant. Second, this study asked students to respond to a hypothetical job offer. Clearly, responses may have been different in an actual job choice situation. Other factors, such as location, size of the organization, starting wages, and attitudes toward the organization and/or the potential co-workers, likely play a significantly larger role in the decision making process. I sought to eliminate the effects of these confounding variables by controlling job similarity in the methodological design. Last, this study examined recruitment. Benefits may be more important for retention purposes than recruitment. While my research suggests that basic benefits are more important than other benefits in recruiting, this finding may not be the case for employee retention.

6. Conclusion

The research partially supports the metamyth of communication that assumes that increased levels of communication always enhance organizational effectiveness. In contrast, Zimmerman, Sypher and Haas (1996) suggest that employee need (and I would argue potential employees, too) for particular types of communication is contingent upon many variables. The results presented in this investigation about the effects of varying types of benefit communication were contingent upon other variables being present or absent. My results suggest that recruitment efforts of firms that offer non-basic benefits should be positively affected when the quality of information of communication about these benefits increases. This finding is important because leading edge companies are likely to offer non-basic or other benefits to help secure a larger applicant pool and to have a competitive edge in recruiting applicants. Furthermore, the more widely adopted basic benefits, of which prospective applicants have a greater understanding, may need less communication. Firms that largely offer these benefits may wish to delay extensive communication about them until employees have begun working. These findings suggest that a change in benefits communication and recruitment strategy should be advantageous to firms that offer both types of benefits.

The results also show that students seeking employment seem to value basic benefits more than non-basic ones. If so, the present study suggests that employers would have greater recruiting effectiveness by emphasizing basic benefits and perhaps enhance these benefits to better meet recruitment objectives when hiring from this labor pool. Although
the data showed that increased information about basic benefits reduced the willingness among subjects to accept job offers, the degree of influence was still larger than for non-basic benefits.

7. References


