

**Master of International Management
Master Thesis No 2003:17**

THE HIDDEN PAY CHECK

A CASE STUDY ON COMPANY BENEFITS AND ITS
IMPLICATIONS FOR COST AND EMPLOYEE SATISFACTION

Kari Beattie & Ev Klausning

Graduate Business School
School of Economics and Commercial Law
Göteborg University
ISSN 1403-85117
Printed by Elanders Novum

ABSTRACT

This thesis analyses the key problem in benefit theory and design, namely the potential tension between employee benefit satisfaction and cost of offering benefits by the employer. The problem is rooted in the fact that the benefit component of compensation is usually an undervalued and forgotten item. This thesis provides an integrative treatment of the tensions that are involved in the interaction between cost containment and designing an appropriate benefit offer.

Further, a discussion on how these problems may be kept at bay by plausible managerial communication and other mechanisms is included. The framework is then applied to an analysis of the managerial choice between traditional benefit administration and new compensation forms, specifically cafeteria-style benefit systems. Thus, the framework adds to the understanding of the costs and benefits of alternative administrative forms.

Keywords: Compensation, benefits, benefit administration, benefit cost, employee satisfaction, case study

ACKNOWLEDGEMENTS

Firstly, we would like to thank all the company representatives at Volvo Car Corporation, who made this study possible and guided us throughout the research process. Special thanks go to Tina Hermansson-Berg who went above and beyond the line of duty.

Our profound thanks to Dr. Gunnar Rimmel, our thesis advisor, who was exemplary at his task, and shared invaluable insights with us. We truly appreciated the fact that he always kept his door open for us.

Last but not least, we would like to express our appreciation to our family and close ones who lent their support and encouragement whenever we needed it.

Kari Beattie & Ev Klausning

Gothenburg, December 2003

TABLE OF CONTENTS

<i>Abstract</i>	<i>i</i>
<i>Acknowledgements</i>	<i>ii</i>
<i>Table of contents</i>	<i>1</i>
<i>List of tables</i>	<i>3</i>
<i>List of figures</i>	<i>4</i>
ABSTRACT	I
ACKNOWLEDGEMENTS	II
CHAPTER ONE	1
INTRODUCTION	1
1.1 WHY ARE COMPANY BENEFITS ON THE AGENDA?	1
1.2 DEFINING COMPANY BENEFITS WITHIN TOTAL COMPENSATION	3
1.3 PROBLEM AND PURPOSE FORMULATION	4
1.3.1 Formulation of main research questions	6
1.4 THE CASE COMPANY	8
1.4.1 About compensation and benefits at Volvo Car Corporation	8
1.4.2 Why study the Volvo Car Corporation?.....	9
1.5 LIMITING THE SCOPE	10
1.6 REPORT OUTLINE	11
CHAPTER TWO	13
OVERVIEW OF THE FIELD	13
2.1 A LOOK BACKWARDS.....	13
2.2 RECENT DEVELOPMENTS	15
2.2.1 The benefit of choice.....	16
2.2.2 Work-Life benefits.....	16
2.2.3 Communicating the benefit offer	18
CHAPTER THREE	21
THEORETICAL FRAMEWORK	21
3.1 JUSTIFICATION OF CHOSEN THEORIES.....	21
3.2 THE HIERARCHY OF NEEDS	23
3.3 HERZBERG'S TWO-FACTOR THEORY	24
3.4 EQUITY AND JUSTICE THEORY	25
3.5 PREVIOUS BENEFIT SATISFACTION RESEARCH.....	28
3.6 INTEGRATION OF THEORETICAL PERSPECTIVES.....	29
CHAPTER FOUR	31
METHODOLOGY	31
4.1 METHODOLOGICAL FUNDAMENTALS	32
4.1.1 Fundamental approaches	32
4.1.2 Looking out for negative evidence.....	33
4.1.3 Quantity and Quality – Two conflicting approaches?.....	33
4.2 RESEARCH DESIGN AND PROCESS.....	34
4.3 COLLECTING THE EVIDENCE	36
4.3.1 VCC web survey.....	37

4.3.2	<i>The discourse</i>	46
4.4	DATA QUALITY CONCERNS	50
CHAPTER FIVE		53
EVIDENCE FROM THE FIELD		53
5.1	VCC WEB SURVEY	53
5.1.1	<i>Motivational aspects</i>	53
5.2.2	<i>Aspects of communication</i>	57
5.2.3	<i>Employee benefit perception</i>	61
5.2.4	<i>Return maximisation of benefit expenditures</i>	62
5.3	THE DISCOURSE	67
5.3.1	<i>Perspectives on benefits and recruitment</i>	67
5.3.2	<i>Motivational aspects</i>	68
5.3.3	<i>Views on benefit communication</i>	70
5.3.4	<i>Costs and new structures</i>	70
5.4	SUMMING UP THE FINDINGS	74
CHAPTER SIX		75
ANALYSIS AND DISCUSSION		75
6.1	MAXIMISING RETURNS FROM BENEFIT EXPENDITURES	75
6.1.1	<i>Cost containment</i>	75
6.1.2	<i>Cafeteria-style benefit systems – Saving cost?</i>	77
6.1.3	<i>Employee benefit outsourcing</i>	79
6.2	BENEFIT IMPACT ON ATTRACTION, RETENTION, AND MOTIVATION	80
6.2.1	<i>Sustaining and influencing behaviour</i>	80
6.2.2	<i>What does life quality mean?</i>	83
6.3	COMMUNICATING THE BENEFIT OFFERING	85
6.3.1	<i>Adding value without adding cost</i>	85
6.3.2	<i>How to tell?</i>	86
6.3.3	<i>A new tool ready to apply?</i>	87
6.3.4	<i>Demanding or creating demand</i>	88
6.4	THEORETICAL IMPLICATIONS	89
CHAPTER SEVEN		91
CONCLUSIONS AND RECOMMENDATIONS		91
7.1	HOW CAN THE RETURNS FROM BENEFIT EXPENDITURES BE MAXIMISED?	91
7.2	HOW DO EMPLOYEE BENEFITS IMPACT UPON AN ORGANISATION’S ABILITY TO ATTRACT, RETAIN AND MOTIVATE EMPLOYEES?	93
7.3	HOW IMPORTANT IS IT TO COMMUNICATE THE BENEFIT OFFERING?	94
CHAPTER EIGHT		97
FURTHER RESEARCH RECOMMENDED		97
REFERENCES		99
APPENDIX I		105
	SWEDISH VERSION OF VCC WEB SURVEY	105
APPENDIX II		109
	SWEDISH VERSION OF INTERVIEW GUIDE	109

LIST OF TABLES

	<i>Page</i>
Table 4-1 Survey response rate distribution.....	39
Table 4-2 Survey question categories.....	40
Table 4-3 Interview guide design.....	48
Table 5-1 Benefits as a means of retention.....	54
Table 5-2 Most motivational benefits.....	56
Table 5-3 Reasons for satisfaction and dissatisfaction.....	57
Table 5-4 Benefit rating vs. relative costs.....	63
Table 5-5 Motivational vs. General benefit rating.....	64
Table 5-6 Opinions on a cafeteria-style benefit system.....	65

LIST OF FIGURES

	<i>Page</i>
Figure 1-1 Total compensation model.....	4
Figure 3-1 Linking Maslow's and Herzberg's theories of motivation.....	25
Figure 3-2 Equity theory model.....	27
Figure 4 -1 Report development stages.....	36
Figure 4-2 General background information.....	38
Figure 4-3 VCC web survey design.....	41
Figure 5-1 Employee benefit satisfaction.....	56
Figure 5-2 Employee benefit awareness at day of employment.....	58
Figure 5-3 Level of benefit knowledge.....	59
Figure 5-4 Employee benefit awareness.....	60
Figure 5-5 Employee benefit perception.....	61
Figure 5-6 Additional benefits desired.....	66

INTRODUCTION

The following introductory chapter has the aim to present an overview of this report. After briefly illuminating the relevance of the report topic, the problem and purpose formulation as well as the main research questions are developed. They are followed by the introduction of the company, which provides the primary research evidence for the case study. The chapter is concluded with a report outline that highlights the central points of the content of this report.

1.1 Why are company benefits on the agenda?

Imagine retiring after several years of working to find that you do not have a pension to live on, or for that matter, to put in overtime and not be compensated for it. That would be the case, if there were not be any benefits provided by the company.

The majority of employees in Sweden today, for example, receive vacation pay, flex-time, or supplementary parental pay to ensure that even some of the time spent away from the job still is fiscally advantageous. However, other valuable benefits provided by the employer go unnoticed by many employees. In a newspaper article SAF (Svenska Arbetsgivareföreningen) stated that there exist no clear picture of all the different types of benefits offered in Sweden and how widespread they are (DN, 2000).

This newspaper article in particular increased our attention for company benefits in Sweden, which corresponded with our initial desire to study indirect compensation. We were especially interested in examining the relation between company benefit spending and benefits' impact on employee satisfaction. Is there

a reasonable rationale? In a survey of American businesses 2001 it is reported that employers pay about 40% on top of gross salaries in employer provided benefits. Other studies show that as many as 50% of all employees neither understand nor appreciate these benefits (US Bureau of Labour Statistics, 2001). Until today no comprehensive efforts in order to calculate respective figures for European businesses have been made. However, there is evidence that the American influence on European Human Resources management practices is growing. The case study of this report, which builds the foundation for the collected field evidence, was conducted at the Volvo Car Corporation assembly plant in Gothenburg, Sweden.

Both labour and management stress the necessity of economic benefits for employees to such a degree that needs for other benefits may be overlooked. The Union of International Associations (UIA, 2003) states that employment levels suffer from the high cost of maintaining employees, but at the same time, employee well-being suffers from lack of attention to human needs beyond the pay cheque.

This alone requires planning and co-ordination on a high level. The exercise becomes even more complicated when we take into consideration that most of the value of the benefits to a company is determined by employee needs and perceptions. To make matters even more difficult, a company has to be able to evaluate and forecast employees' changing needs over time. This means, among other things, that methods for continuous measuring, calculating and planning need to be put in place. Furthermore, all this has to be done while keeping all lines of communication open. This might sound like an impossible mission, but it is a reality for most organisations today.

1.2 Defining company benefits within total compensation

Taken literally, compensation means to counterbalance, to offset, or to make up for. It implies an exchange and is defined in the following terms: Compensation refers to all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship.

Finding an ultimate definition of company benefits is an unpromising enquiry, since the meaning of benefits varies between rewards, incentives, company advantages and the like, depending on its particular application and purpose. Nevertheless, specific characteristics can be distinguished.

In its simplest form the total compensation strategy is comprised by two major elements: *direct compensation* and *indirect compensation* (Berger, 2002; Milkovich & Newman 1999). Figure 1-1 illustrates in detail how both elements can be distinguished.

Direct compensation is made up of instant forms of payment (wages and salary) and contingent types (performance-based incentives, unit-based profit sharing, etc.) The responsibility of the employer is said to be legal, competitive, fair, and economically responsible to meet its obligations to employees, owners, creditors, and society.

Indirect compensation is typically including benefits, stock options/ bonus, and rewards or other incentives. A benefit is not a payment in money to the employee but a payment to a third party for some goods or services on behalf of the employee (e.g. group insurances, company car, home service, flex-time). However, the line between benefits, incentives and rewards are not always clear, and literature as well as organisations, seem to use these terms interchangeably.

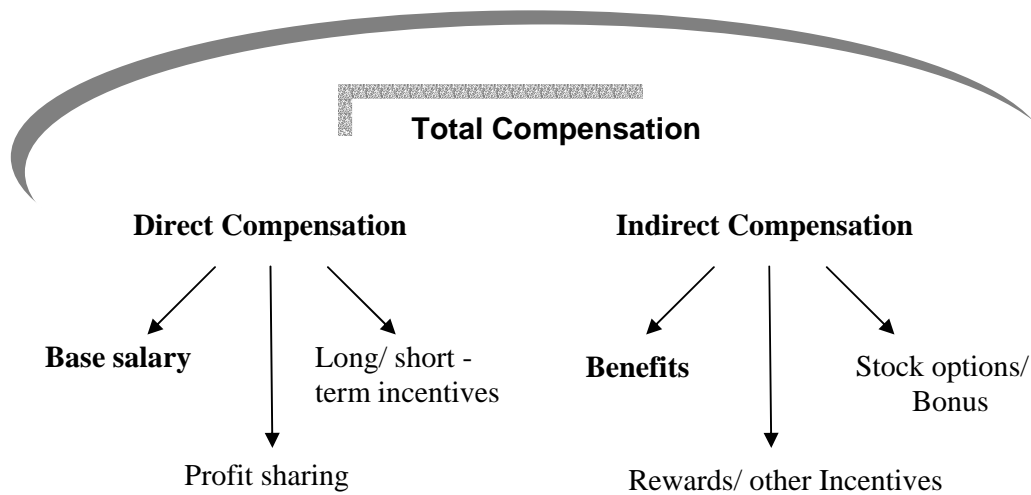


Figure 1-1 Total compensation model

1.3 Problem and purpose formulation

Employee benefit costs are increasing today (Berger, 2002; Milkovich, 1999). Consequently, firms are paying more attention to them. Increasingly employees perceive benefits as a right, independent of how well they or the company perform. Efforts to reduce benefit levels or eliminate parts of an offering would meet with employee resistance and dissatisfaction. Assuming that organisations must find ways to control costs of benefits wherever possible, this report focuses on identifying ways to decrease benefit costs while retaining employee satisfaction.

How can a company improve the employment relationship to address this new employment landscape and maintain a work environment that supports improved performance and encourages employee retention? One critical element has

always been the value of benefits, or more specifically, how positively employees perceive the value of the benefits and other services and programs available to them. It becomes apparent that each individual employee views benefits differently. All of these questions represent the overall problem formulation, which is expressed as follows:

**How can benefits cost savings be achieved while maintaining
employee satisfaction?**

Typically, the main research question confronts the researcher with a specific dilemma regarding the research object. A dilemma is defined as the state of uncertainty or perplexity especially as requiring a choice between equally unfavourable options (Webster, 2001)

The underlying dilemma of this report is very well captured in the main research question. Benefit cost savings, especially at times where employees have been experiencing major cost cuts already, might put employee satisfaction at risk. At the same time, concentrating on employee satisfaction might exceed benefit budgets. Both constitute two equally unfavourable alternatives. Can both options be made more attractive without endangering the alternative or do they need to be compromised? Maybe they do not constitute alternatives at all, rather can be managed in a way, which is non-detrimental for both of them.

The establishment of the main research problem is the foundation for the investigation of this report. The previous discussion outlined how the main research questions were deriving, which purpose is to:

Determine and assess the impacts and effects of benefits offered by a chosen case company, and rethink its current benefit offering.

How this purpose specifically is achieved will be elaborated in chapter five when presenting the evidence from the field.

1.3.1 Formulation of main research questions

The first step in doing this research was the formulation of the overall problem and the establishment of possible research questions. As costs were a major issue, we felt it was important to determine returns on benefit expenditures. Having investigated the problem of benefit costs in contemporary literature it became evident that benefit costs took up a great part of the entire payroll. Typically larger companies (5000 or more employees) had higher benefit costs. Figures showed that benefit costs made up for 40 % of the payroll. By comparison, middle sized and smaller companies (500 – 1000 employees) spent 36% on benefits (*Flexible Benefits*, 2001). Further, there appears to be a tendency for benefit costs to escalate in the coming years (US Chamber of Commerce, 2003).

A review of the benefit costs from our Swedish case company revealed that about 10% of their total compensation costs went to benefits. In accordance with the trend of rising benefit costs in the US, and the influence of American business on European business practices, there are reasons to presuppose that this will put pressure on Swedish compensation practices in the future. It seems that on the one hand the issue is rising benefits cost, and on the other, returns on benefit spending are uncertain. Hence, the first research question deriving from the preceding overview is as follows:

1. How can the returns from benefit expenditures be maximised?

If the costs of benefits appear so excessive, they must fulfil a purpose. Berger (2002) feels that the actual purpose and use of compensation programs is *workforce management*. Benefits in particular, if administered properly, should have the capacity to ensure employee satisfaction through for example, work-life balance initiatives. Moreover, in contrast to the base salary benefits should be used as a decisive factor in drawing qualified applicants, to hold on to key personnel, and encourage them to excel. This brings us to the second research question:

2. How do employee benefits impact upon an organisation's ability to attract, retain and motivate employees?

Upgrading a benefit package is not an alternative to cost cutting. Instead, the employer should focus on “adding value” by improving employee understanding, and perception through benefits communications. With this shift, employers are emphasising two things. One is not just how the benefit system works, but also how to use it effectively. Consequently, the final research question is formulated as:

3. How important is it to communicate the benefit offering?

The establishment of the research questions is the foundation for the enquiry into the subject area. Further, the questions guided the structure and content of the report. In order to achieve a comprehensive, while focused study outline, the research questions were always kept in mind.

1.4 The case company

The case company, which provides the field evidence of this research, is the Gothenburg situated car manufacturer Volvo Car Corporation (VCC).

1.4.1 About compensation and benefits at Volvo Car Corporation

The compensation system at VCC is designed to give the company the opportunity to recruit, retain and develop its employees. The system is a management tool and is supposed to reflect and reward the three main competences that are valued by the company; medarbetarskap (co-worker ship) teamwork and leadership. In reality, everyone is entitled to the bonus program, but in the higher leadership levels receive more bonuses, options and personal benefits. The total compensation at VCC includes the base salary, bonus, stock options, pension and benefits.

VCC's internal salary structure describes how much the company is prepared to pay in relation to the responsibility and complexity of a position. Middle managers, and indeed all white-collar workers, have a position evaluation that places them in a specific salary grade or leadership level. Position evaluation makes it possible to create and maintain an effective salary structure, and to allow for accurate compensation and benefit comparison with the external market. The design of the salary system also makes it possible to isolate one component, such as the benefits to compare different compensation levels within the company, and also nationally and internationally. Company cars, healthcare, and supplementary parental pay during parental leaves are the benefits considered the most competitive. The balance between the internal and external benefits is secured by keeping control over cost, principles, practices and individual total compensation levels in each country and unit.

1.4.2 Why study the Volvo Car Corporation?

The reason for choosing VCC in order to collect the field evidence for the research endeavour of this report was threefold:

- At the time of planning our thesis, the Volvo Car Corporation was in the development stages of restructuring their benefit offerings.
- This corresponded with our desire to study indirect compensation.
- According to the VCC's "Attitude survey", employee's attitudes have grown more negative in several key areas, including the belief that ability and performance are not fairly rewarded and recognised.

When entering the development stage of a restructuring of the current benefit offering, a Proposal on Actions in order to determine a Benefit Strategy was already outlined. Its purpose is to work more strategically with benefits by appointing a steering group. This group shall focus on analysing the current benefit offering to VCC employees. Subsequently, the question to be answered is: What do we need in order to attract, develop, and retain employees? More detailed it is asked, if the current benefit package is enough, what is it employees want, and what are cost efficient means to achieve this.

As part of their Benefit Strategy Proposal VCC formulated its own definition of what they consider benefits. According to their definition benefits are characterised by the fact that they are offered by the company. Some benefits apply to all employees (general benefits), others are only provided a limited group of employees (personal benefits). Furthermore, it is stated in the definition that VCC employees can hardly obtain the same benefits at the same price and/or quality as a private person. Additionally, VCC benefits have the purpose to

increase the standard of living of their employees (VCC Compensation Handbook, 2003).

The definition of benefits seems to constitute a dilemma in itself and only makes sense, if the indented meaning is clearly communicated to the employees, so that no matter what the provided benefit package contains, each element is recognised as company benefit.

We had a particular interest in studying managers. During one of our tutorials, it was suggested that we looked into middle managers in particular. One reasons for this was that there had not been many studies conducted on this group before. Moreover, the group of middle managers at VCC are more numerous than, for example, top management. They exert great influence on the general levels of organisational satisfaction, and if they leave, crucial knowledge will be lost to the company. Lastly, it should be mentioned that middle management is also the group that makes up for the majority of costs in terms of general, and also personal benefits at VCC.

1.5 Limiting the scope

In general, we limit our study to the satisfaction and motivational impacts of benefits, and particularly to the perceived value of them. The effects of benefits on employee satisfaction such as the impact on turnover, attraction and costs are presented to show the significance and the scope of that topic. In addition, we discuss the importance of communication as a major factor in benefit satisfaction.

Benefits represent a rather far-reaching area of research. However, this report is limited to the content theories that identify specific needs, which initiate and direct human behaviour, and to theories that deal with issues of fairness in the allocation of rewards.

In addition, in this report of descriptive character, only those individuals considered to be middle management are studied at VCC. We make no attempt to study other employees of the case company. Further, the need for efficient cost savings restructuring will be discussed.

1.6 Report outline

The report chapter arrangement has been designed in order to facilitate the answering of the research questions. The *first chapter* was mainly concerned with setting the scene and presenting essential background information for the case study.

In order to broaden knowledge and understanding about what activities have been taken regarding the ongoing discussion of benefits practices, the *second chapter* provides an overview on two aspects of the field. To start with, we outline historical events shaping the nature of compensation and practices. The second facet deals with the most recent developments in the area of company benefits.

The objective of *chapter three* is to provide an overview of the theories and previous research that form the theoretical basis for our study. Since the determining factors behind employees benefit satisfaction are of particular interest for this report, we end this chapter with a brief compilation of previous studies in this field and integrate the theoretical perspectives to emphasise their relevance.

Chapter four offers a rationalisation of the decision to use particular approaches to make it possible to carry out the research. The different stages of the undertaken research process are outlined. The section on data collection is

emphasized due to its primary importance. A detailed record of the survey and interview design is provided. Finally, we discuss data quality concerns.

The first section of *chapter five* gives a concise overview of the main findings from the web- based survey and in depth interviews conducted at VCC. The empirical findings of the survey are then complemented by the results of the interview analysis. They are presented in the same arrangement in order to give a broader view of the answers, presenting an inclusive insight. It was felt that this insight would enable us to offer advice on possible changes to the existing benefit administration.

Chapter six combines the analysis and a discussion of the findings from the previous chapter. The analysis along with the discussion is presented in direct relation to the initial research questions in order to facilitate answers to the main research problem.

In *chapter seven* conclusions and recommendations for the main research problem will be presented. More specifically, benefit problems, which our case company is facing, are dealt with and solutions are provided.

As one would expect, encountering interesting angles while trying to solve the research questions, resulted in the emergence of additional issues meriting further investigation. This provided ideas and suggestions for further exploration into the topic and is taken up in *chapter eight*.

OVERVIEW OF THE FIELD

“Those who cannot remember the past are condemned to repeat it.”

[Santayana]

This chapter provides an overview on the field of benefits including two aspects. Firstly, we take a brief look backwards and outline historical events shaping the nature of compensation practices. A comparison of developmental stages in the United States and Sweden is focused on. Secondly, most recent developments surrounding the area of company benefits are illuminated.

2.1 A look backwards

Between 1900 and 1950 most of today's major legally required employee benefits were created in the US. The origin and evolution of early legally required benefits provides perspective on the existing status of employee benefit programs, which currently account for approximately 40 percent of total payroll (Beam & McFadden, 1992).

There was also an evolution of the way work was compensated in Sweden during this time. It was first during 1870 that modern industrialisation started to develop properly. After that the evolution happened fast. By 1910 thirty-two percent of the population was working in industry in contrast to only nine percent in 1850. Things changed completely. Industrialisation was built on a system with money and pricing instead of a simple exchange of goods. At this time the company provided benefits in the form of occasional use of internal resources. (Kontek, 2003)

Workers in the early 20th century saw little in the way of employee benefits. The base salary was the only employee compensation concern of most employers (Kleiler, 1989). Significant changes occurred in all walks of life, including development of management as a distinctive discipline and introduction and advancement of employee benefits. By the mid-1930s, most major US organisations included employee benefits management as part of human resource work (Ellig, 1980).

In the 1950's employee benefits, not part of the average company budget in 1900, had risen to 20% of payroll expense according to the Chamber of Commerce of the United States (Miner & Miner, 1973).

In the 1970s the growing, yet inflationary, economy was reflected in continued emphasis on structuring and controlling the principal component of compensation base pay. At the same time, practitioners were mindful of the growing importance of benefits. Already in 1972, Milt Rock, one of the foremost compensation scholars, reported that there would be changes in thinking by the workforce “on how it wants to be paid”. He perceived that “cafeteria-style pay” would address this issue by giving individuals a choice of payment (Berger, 2002).

In Sweden the importance of benefits has increased. One reason for this is that the collectively bargained insurances expanded in the 1970's. Furthermore, the pattern of distribution differs from that of money wages. Consequently, it has become more important to include benefits in wage analyses. Further, the increase in the average non-wage benefit share kept rising in Sweden from 7 per cent in 1968 to 20 percent in 1981. (Selen & Ståhlberg, 1996)

In the US during the mid 1980's reconciling internal equity, external competitiveness, and individual performance was the ongoing effort of practitioners. Of the three, internal equity consideration influenced by a buyer's market was the dominant focus. The importance of variable pay packages in keeping employee costs down was recognised. Berger (2002) points out that another contextual change that occurred was the recognition of cultural influences on pay determination, and the necessity to implement sound communications programs to help employees both understand and support compensation programs.

During the 1990s until now, the major trend was reconfiguring employee benefit plans to provide individual, performance driven, and cost effective benefit solutions.

2.2 Recent developments

Rynes and Gerhart (2002) argue that most benefits have only little impact on employee productivity. This is not only because most benefits are awarded on the basis of company employment or the attainment of particular organisational levels, but also because they are standardised for all employees. The standardisation of benefit systems is one of their major weaknesses, since they may not meet specific employee needs at a certain point in time.

As the cost of benefits has escalated and returns seem to be inadequate, many organisations struggle with how to make their benefits more variable and how to link them more directly to employee behaviour and performance (Rynes & Gerhart, 2002). The following presents a short overview of recent developments in order to overcome main drawbacks inherent in benefit systems.

2.2.1 The benefit of choice

The attempt to tailor benefits to individual needs by means of “cafeteria-style” benefit systems has become increasingly popular across industries. These systems allow employees to choose those benefits most suiting their actual needs at a certain stage of their lives. About 70% of all Fortune 1000 companies use some kind of a cafeteria benefit system today (Rynes & Gerhart, 2002).

The independent Swedish HR-consulting firm Human Resource Services AB (HRS) reports that during recent years flexible benefits have become particularly attractive to offer by Swedish companies. Some companies offer their employees an entirely flexible benefit package, which is comparable with a cafeteria system, whereas others have only little benefit flexibility to offer. HRS is expecting the number of Swedish companies that offer any form of a cafeteria benefit system to grow in the coming years (HRS, 2003). The limited evidence implies that allowing employees such choice might help reduce overall benefits costs while increasing employee satisfaction (Barber, Dunham, & Formisano, 1992; Lawler, 1990).

2.2.2 Work-Life benefits

Leading-edge companies have started to deal with the complicated and conflicting business of creating a workplace that gives employee’s personal lives more consideration. Undoubtedly, work affects personal life in a multitude of ways. Be it overtime spent on weekends, time away from home on a business trip, or childcare issues. Izzo and Whithers (2001) state that there is emergent evidence that when employers act more sensitively toward these issues, retention and productivity rise accordingly. They found that the desire for greater balance and harmony between work and one’s personal life comprises the first of six shifts in what employees want from work today. Consider the following figures that give evidence for something that might be called the “balance revolution”: In

a survey conducted in the US in 2001, employees said that they would be willing to give up 21% of their work hours *and salary* to achieve more balance – this number has almost doubled during the last seven years. Furthermore, employees of a major company were asked about their flexible working schedules. 65% of them stated that they would have left the company without the flex-time. Especially the younger workforce seems to be inclined to react this way. 55% of eighteen to thirty-four year olds consider the freedom to take extended leaves or sabbaticals a key workplace benefit.

How do companies react towards an increasing demand for work-life balance? And not only that – What are they trying to do in order to set themselves apart? In order for them to use their benefits effectively they would implement benefits that are important to the employees and are perceived of high value relative to the actual cost of providing it (Berger, 2002). These are so-called work-life benefits with high leverage. On the benefit plan they may appear in various forms of paid time off, flexible work arrangements, extended childcare, family services, elder care or convenience or concierge services. Areas in which these benefits have the most positive impact include recruiting, retention, productivity, motivation, satisfaction and commitment.

Izzo and Whithers (2001) argue that for employers the critical questions is to find out what exactly it means when their employees say they want more work-life balance. How do they view such balance and how can their company help achieve it? Answers to these questions are company, or rather employee specific. They require time and recourses to conduct comprehensive and reliable employee surveys. Moreover, with frequently changing employee needs these surveys call for revision over time.

2.2.3 Communicating the benefit offer

Fitzgerald (2002, 23) made an essential point when she said:

“A compensation plan, no matter how brilliantly designed, will not accomplish its objectives without a communication strategy that is just as brilliantly designed as the plan itself.”

Experiences from the top 500 companies stress the importance for employees to understand the role of their compensation (what is in for me and how can I benefit). This refers to an employee's total compensation and to their benefits in particular. Do your employees know what their benefits are? Are there clear guidelines as to how to achieve certain benefits? Since it is more difficult to attract and retain employees with rises in base pay, it should become imperative to use company benefits as a differentiating factor. If about 40% of the total compensation is spent on benefits, why be silent about it? Today's workforce is much more inclined to openly talk about their company benefits. Many companies still seem reluctant in communicating their pay structure. Others successfully managed to find ways and methods in order to inform their employees. There is evidence of positive effects regarding contemporary means of compensation communication. More frequently companies market their benefits through various information channels, which include the company intranet, Internet, brochures, or personal benefit statements.

The pharmaceutical company AstraZeneca conducted a study about their benefit offering in 2000. The results showed that their employees consider their direct managers to be the most important information source. Based on these results AstraZeneca is increasingly emphasising a sound education of their managers in this regard. Moreover, they initiated a benefit communication program that included various means as, for instance, benefit brochures to be sent home to

every employee, weekly info letters via their intranet, open lunch presentations or specific benefit campaigns (Fondkommision, 2003).

Chapter Three

THEORETICAL FRAMEWORK

"In theory, there is no difference between theory and practice. But, in practice, there is."

[Jan van de Snepscheut]

The objective of this chapter is to provide an overview of the theories and previous research that form the theoretical framework for our study. To be able to understand what motivates an individual, theories that are concerned with fundamental personal needs are examined. Similarly, in order to alleviate inequity perceptions one has to be aware of communication issues, and which inputs and outputs are most important to employees. Moreover, we looked into theories that deal with issues of fairness in the allocation of rewards. Since the determining factors behind employees benefit satisfaction are of particular interest for this report we continue this chapter with a brief compilation of previous studies in this field. The chapter is concluded with an integration of the most important theoretical perspectives put forth.

3.1 Justification of chosen theories

Many contemporary authors have defined the concept of motivation. Motivation has been defined as: the psychological process that gives behaviour purpose and direction (Kreitner, 1995); a predisposition to behave in a purposive manner to achieve specific, unmet needs (Buford, Bedeian, & Lindner, 1995); and an internal drive to satisfy an unsatisfied need (Higgins, 1994). For this paper, motivation is operationally defined as the inner force that drives individuals to accomplish personal and organisational goals. We are not interested in the ability

of benefits to motivate an employee to higher exertion; rather, we are interested in how benefits can increase employee satisfaction. The chosen theories were felt to be appropriate to our particular focus, and most importantly to provide possible explanations for the field evidence gathered.

Maslow's (1943) theory is used because it is one of the best-known theories to explain why people have different need at different times. On the other hand, the satisfaction progression process may not always explain the dynamics and unstable characteristic of employee needs. Nevertheless, having compared our results with this progression, we felt that it was appropriate for our research.

Herzberg's (1959) work is especially appropriate to our case as it categorised motivation into two sets of factors: motivators and hygiene. The hygiene factors, do not motivate employees, however, they may reduce the extent of dissatisfaction experienced by the individuals. And one of the foci of this study is employee satisfaction.

Equity and justice theory have received considerable support in research and practice. The model helps us understand for instance why people become hostile at work, and why employees enact numerous other behaviours. One of the clearest lessons from equity theory is that one needs to continually treat people fairly in the giving out of organisational rewards. Because, if the feelings of inequity are sufficiently strong, employees may leave the organisation to right the inequities. The issue of communication is also addressed by this theory, since telling people how rewards are distributed can improve equity perceptions. In spite of any limitations this theory may have, it offers one of the best models available for the forecast of an employee's motivation to leave a company.

3.2 The Hierarchy of Needs

According to Robbins (1996) Maslow found that human motivation has a hierarchical structure, which he called a hierarchy of needs. There are at least five basic needs, which all individuals maintain. These can in turn be divided into higher and lower needs. They are:

Lower

Physiological needs: safety, love, esteem, and self-actualizing for instance food, drink, oxygen, sex, and sleep. Basically, all needs, which represent the basis for life.

Safety needs: include security, the need for a safe, predictable and organised world, and the avoidance of pain and physical attacks.

Love needs: refer to affection and belongingness needs. That means a person will try hard for good relations with people and a place in his/her group. In that way, special thought is given to friends and loved ones.

Higher

Esteem needs: (internal) the desire for strength, for achievement, for independence and freedom, and (external) the desire for prestige and respect from other persons, recognition, attention, importance and appreciation.

Self-actualizing needs: the desire for personal development and accomplishment. The form of these needs differs from person to person.

At any given point in time, individuals have a different primary and dominating need. All five basic needs are arranged in a hierarchy of importance. Thereby, physiological needs represent the starting point for the motivation theory at the lowest level. In a situation when all needs are unsatisfied, and the human being is

dominated by the physiological needs, the other needs do not seem to exist or are pressed in the background. When the physiological needs are satisfied, new and higher needs such as safety needs will emerge and dominate the individual. When these new needs in turn are gratified, new and higher needs such as love needs will appear etc. The hierarchy of the basic needs ranges from physiological needs through safety needs, love needs, and esteem needs, to the needs of self-actualizing at the highest level. A need that is satisfied is no longer perceived as a need by a person. The individual is dominated and his/her behaviour is influenced only by needs that are not satisfied. To be able to understand what motivates an individual, it is then necessary to know what needs that person has. The lower needs can be externally fulfilled, while the higher needs can only be fulfilled by the individual. One can therefore fulfil the lower needs of an employee by offering salary, benefits and so forth. (Robbins, 1996)

Maslow's theory about human motivation can be applied to work situations as well. However, the problem with this theory is that many still consider it mainly theoretical (Rubenowitz, 1994).

3.3 Herzberg's Two-Factor Theory

Herzberg's (1959) work categorised motivation into two sets of factors: motivators and hygiene. The hygiene factors, which correspond to Maslow's (1943) description of lower needs, do not motivate employees, however, they may reduce the extent of dissatisfaction experienced by the individual. These may be, for example a good working environment, company policy, good interpersonal relations and salary. That means if these factors are not present, or are mismanaged, they may cause dissatisfaction on the job. The other set of factors, called motivators, satisfies a person's need for self-actualisation on the job and, therefore, leads to positive feelings towards the work. The motivators are

related to the job content. Job related factors that promote job satisfaction are achievement recognition, work itself, responsibility and advancement (Jonsson, 1992).

Herzberg's two factor theory can be linked to Maslow's hierarchy of needs as illustrated in figure 3-1.

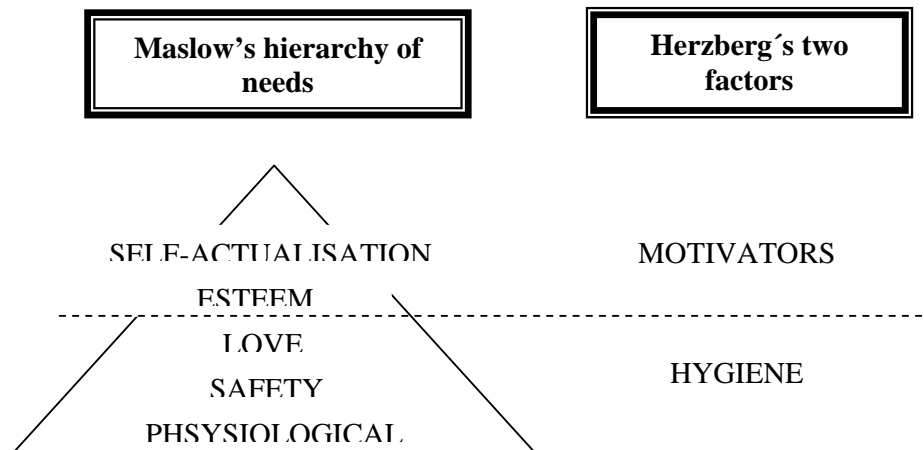


Figure 3-1 Linking Maslow's and Herzberg's theories of motivation

3.4 Equity and Justice Theory

Equity theory suggests that perceptions of fairness are a job-related motivational base that can influence the behavioural and affective responses of job performers. According to *equity theory*, employees evaluate the exchange relationships with the organisations they are affiliated with in terms of a ratio between effort spent and rewards received at work. Job efforts include comprehensive investments, such as intelligence, experience, training, skill, and seniority, and specific work actions needed for task fulfilment. Job rewards, on the other hand, refer to inducements an employee may receive from an organisation, including money,

desired job-related responsibilities, esteem, status, and social identity (Adams, 1965). The *equity theory model* is illustrated in figure 3-2.

Over the last decade, a small body of research has addressed the relationship between inequities in exchange relationships at work and work outcomes such as job satisfaction, turnover, organisational commitment and burnout. This research generally supported the predictions generated by equity theory, in that inequity in various work relationships was shown to be associated with job dissatisfaction (Perry, 1993).

In addition, in order to diminish perceived inequity, a worker may also alter efforts or rewards, as well as cognitively reframe efforts and rewards, withdraw from the job, or may change comparison dimensions (Mowday, 1991). The basic decision rule states that we chose the behaviour that restores equity (Adams, 1965). Equity can be restored by:

- Change inputs and/or outcomes of self
- Change inputs and/or outcomes of other
- Distort perceptions of self and/or others
- Change comparison person
- Leave the field (quit)

Perceived Ratio Comparison*	Employee's Assessment
$\frac{\text{Outcome A}}{\text{Input A}} < \frac{\text{Outcome B}}{\text{Input B}}$	Inequity (underrewarded)
$\frac{\text{Outcome A}}{\text{Input A}} = \frac{\text{Outcome B}}{\text{Input B}}$	Equity
$\frac{\text{Outcome A}}{\text{Input A}} > \frac{\text{Outcome B}}{\text{Input B}}$	Inequity (overrewarded)

* A = Self, B = Other

Figure 3-2 Equity theory model

One of the clearest lessons from equity theory is that one needs to continually treat people fairly in the distribution of organisational rewards. Unfortunately, maintaining feelings of fairness is not an easy task. Employees do have different opinions of which inputs should be rewarded and which outcomes are more valuable than others. Is seniority more valuable than performance? One way to alleviate inequity perceptions can be relieved by communicating to employees how rewards are distributed, but one also has to be aware of which inputs and outputs are most important to them (Vecchio & Terborg, 1987). According to Greenberg (1993) the issue of communication can be explained by the procedural justice theory as it focuses on the procedures by which pay and reward decisions are made instead of the outcome itself. Perceptions of procedural justice are based on such factors as having fair criteria and applying them fairly on such things as lack of bias, consistency, accuracy trust and criticism.

Brockner and Weisenfeld (1996) conducted a meta-analysis on studies on distributive and procedural justice and found that they affect satisfaction interactively. Distributive justice refers to fairness of the outcome achieved, whereas procedural justice is concerned with the fairness of the means by which the outcome was achieved. One finds the highest degree of dissatisfaction when

there is a combination of low distributive and low procedural justice. The other combinations show no differences in the degree of satisfaction generated. If there is a high degree of perceived distributive justice, people are generally not concerned with the procedure. Most remarkable is the finding that a combination of low distributive justice and high procedural justice generates as much satisfaction as high distributive justice. In other words, people can accept an unfair result, if it was perceived as the result of a fair procedure. However, conflict inevitably occurs because people have different views as to what constitutes fair pay or a fair procedure. Such disputes range from basic values to details of use. One may conclude that everything is subjective. But Rynes & Gerhart (2002) argue that this is not the case. They believe that there are objective principles of justice, which are derived from moral philosophy. At the same time there exist many varying philosophies, which guarantee conflict on every occasion the issue of justice comes up.

3.5 Previous benefit satisfaction research

One prominent measure used has been the four-item general benefit satisfaction scale from Heneman and Schwab's Pay Satisfaction Questionnaire (Heneman & Schwab, 1985). While the analytic and reliability results for this scale are good, it is important to note that this is a rather general measure of employee satisfaction. By general measure we mean that there is no distinction among the types of benefits in the Pay Satisfaction Questionnaire. The four items measured are: *my benefit package, the amount the company pays towards my benefits, and the value of my benefits and the number of benefits I receive*. These are answered from 1-very dissatisfied to 5- very satisfied. There are other similar measures of employee general benefit satisfaction with strong supporting statistics. Again, there seems to be no distinction among specific benefits as types of benefit satisfaction is made in general measures. (Barber et al 1992, Spector, 1985)

In a paper, Danehhower and Lust (1992) argued that there were two dimensions of employee general benefit satisfaction: satisfaction with benefit cost and benefit quality. This seems to be consistent with the two-benefit program features quality and cost. But this study seems to focus more on the cost factor than the quality factor.

Harris (1994) measures seven dimensions of a benefits programme: value, cost to employees, information provided to employees, access to help with questions, speed and efficiency of reimbursements, amount of paperwork and choice among benefits, as well as the degree to which benefits meet employees needs, employee knowledge of benefits offered and overall benefit satisfaction.

3.6 Integration of theoretical perspectives

Specific compensation problems need theoretical guidance to resolve them. In order for us to facilitate answers to our main research problem we integrate and illuminate the best elements of various theoretical perspectives:

- To be able to understand what elements of a benefit offering motivates employees, it is imperative to know their needs, and to be aware that these needs change over time.
- Providing employees with hygiene factors as for example dining facilities, free parking, and good interpersonal relations will only reduce employee dissatisfaction but will not motivate workers to high achievement levels.
- In order to be able to change employee perceptions of unfairness in the allocation of rewards it is important to design and communicate an organisation's benefits strategy.

- Any given benefit system aiming at motivating and satisfying employees inevitably carries hidden cost with it that must be considered.
- It becomes apparent from literature that measures of employee general benefit satisfaction vary, hence, every organisation needs to determine essential parameters that have to be considered in order to find applicable measures.

These elements reflect, in our view, the key implications and findings of the germane parts of theories we have discussed. The application of such principles entails many difficulties and does not guarantee that everyone will be satisfied. However, the application of these principles can to a great extent increase the likelihood of achieving a highly motivated and satisfied workforce.

Chapter Four

METHODOLOGY

"Research is what I'm doing when I don't know what I'm doing."

[Werner von Braun]

As literature suggests alternative methodological approaches, an extensive review was conducted in order to decide on the most applicable one for this report. This preparation in particular, facilitated the process of the empirical data collection. However, we share the viewpoint of Czarniawska (1998, vi) that “... *there is no method, strictly speaking, in social sciences. All there is are other words as sources of inspiration, an array of various techniques, and a systematic reflection on the work that is being done.*”

The following chapter is devoted to explaining the different stages of the research process we underwent in order to complete this report. It has to be noted that the nature of the research process was not strictly sequential as suggest by Yin (2000). Most specifically, the literature review can best be described as an ongoing process. In addition, so was the formulation and reformulation of the research questions. Both processes evolved interactively.

The first section of this chapter deals with methodological fundamentals including the methodological approach used for orientation of this work. The next section explains research design and process of the investigation. In the third section the data collection process, which is separated into research survey and research interviews, is described. Lastly, the chapter will be concluded by a discussion of data quality.

4.1 Methodological fundamentals

4.1.1 Fundamental approaches

According to Gillham (2001) two fundamental research approaches have developed in the human sciences: (1) *natural-sciences-style* and (2) *naturalistic* approach. The natural science-style has dominated the human sciences for a long time. The approach emphasises experimental methods, deductive theorising (i.e. hypothesis testing), and generalisable data is sought. In contrast, the naturalistic approach concentrates on non-experimental methods, inductive theorising (i.e. hypothesis seeking), and the search for evidence in context. Both approaches exist in their own right and constitute legitimate methods of investigation. A simply oppositional comparison might be too strong, but the dimensions of comparison are essentially correct.

Gillham (2001) emphasises that in order to find the most suitable approach the question is how applicable the method is for a certain kind of phenomena. He argues that experimental science style approaches are ill suited to the complexity, inherent character, and specificity of real-life phenomena such as case studies. Since the evidence supporting this report is derived from a case, a naturalistically oriented approach was pursued during the investigation. Hypothesis seeking was said to be a main characteristic of this type of research approach. Essentially that means that data and theories in the literature might have only little relevance for a certain phenomena. Nonetheless, they commonly create the foundation from which the research questions are derived, and can provide possible explanations for the emergent evidence. This is why in inductive theorising the researcher is concerned with making sense of the evidence after you have found it. Hence, this can be described as the central guideline followed for the case research conducted under our investigation. However, all research is concerned with evidence and theory. But the point to be made is that evidence is primary, not theory, when

dealing with case studies. This is why a long period of the research for this report was devoted to the preparation, conduction, and analysis of the evidence collected. Subsequently, theory grounded in the explanations of our findings was applied.

4.1.2 Looking out for negative evidence

At this point we would like to emphasise that another premise guiding our research was at all times to be alert for evidence that challenges our understanding. Understanding that is derived from prior literature review or basic assumptions as to what evidence to expect from the case study. As pointed out by Gillham (2001) theories cannot be proved - in a definite sense- only disproved, which is a maxim of scientific philosophy. This is why we argue that looking out for confirming evidence only, will not result in any unexpected findings. Evidence that does not fit the theory or primary assumptions should be focused on.

4.1.3 Quantity and Quality – Two conflicting approaches?

The dichotomy between quantitative and qualitative research has been extensively discussed in the social sciences (Yin, 2000). Quantitative methods are largely concerned with counting and measuring – statistics with either descriptive or inferential character. Descriptive statistics aim at describing data in summary style, which can be expressed for example by averages. Inferential statistics make it possible to draw potentially meaningful and considerable assumptions from quantitative data. Typically, quantitative methods are regarded as data-driven, result oriented, and truly scientific.

Qualitative methods concentrate mainly on evidence that helps understand the meaning of what is going on. The ‘why?’ is the focus of the investigation. Complexities that are beyond the scope of more controlled methods can be

studied (Gillham, 2001). Typically, quantitative methods are regarded as “soft” research.

Despite the outlined dichotomy of both methods, Yin (2000) argues that case study research can be qualitative and quantitative. Glaser and Strauss (1967) take it a step further and explain that data derived from both methods is valuable and can complement another. This will result in a more complete and increased understanding of the evidence found. Thus, the use of both qualitative and quantitative methods is not conflicting in itself. It will be explained in more detail why this is the approach also evident in the research conducted for this paper.

4.2 Research design and process

“Each research problem is in some way unique, and therefore requires a tailored research procedure”. (Sawchuck, 1997)

The initial idea for the broader research area of this report originated in a newspaper article on management compensation. This in turn, drew our attention to the larger field of company benefits. Having found our specific research interest, we met with the Vice President of Human Resources and Employee Affairs & Total Compensation at VCC. Discussions with experts from the compensation department at VCC revealed their need for an encompassing examination of their current benefit offering. Their specific concerns were disproportional benefit expenditures, and the lack of clarity about the impact of their benefits on employees. The focus was then drawn to the level of middle management as these managers cause most of the benefit costs in terms of general and personal benefits. Furthermore, only little was known about the influence of benefits on middle management, which is important to use them as a means for attraction and retention of people with key knowledge. In general, it can be pointed out that an unclear and unfocused design of VCC’s current benefit

offering constitutes the core of the dilemma. The complexity of the problem required us to design a highly comprehensive research. This includes a survey on VCC benefits addressed to middle management and supplementary in-depth interviews. The design and conduction of both will be described in further detail.

As illustrated in Figure 4-1 the underlying research process of this report, rather than being strictly sequential, was characterised by overlapping stages. In particular, this was true for the literature review and the formulation of the research questions during the planning stage of the report. The reformulation of the research questions became necessary due to constant revision of literature and vice versa. As the understanding of the problem grew more questions arose, thus, additional research was required. Another factor influencing this process was the continuous information input from VCC and observations made during the field research. Subsequently, the need for frequent updating helped refine the final report.

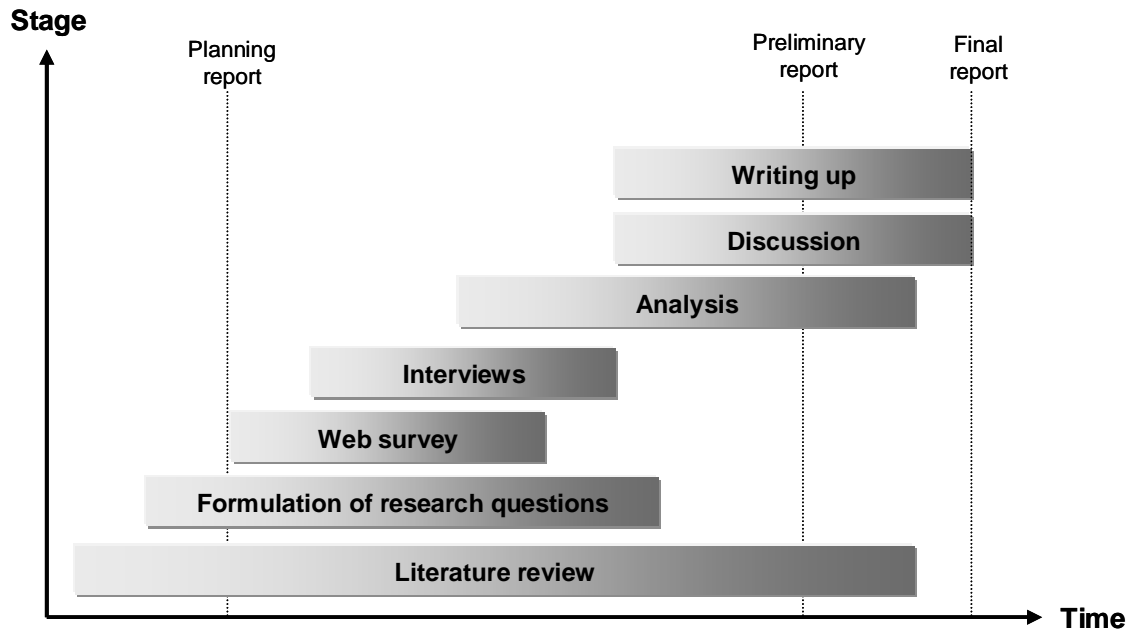


Figure 4 -1 Report development stages

4.3 Collecting the Evidence

Typically, two basic classes of data sources can be distinguished: Primary data sources and secondary data sources. For the research of this report a variety of secondary data was derived from books, business magazines, newspaper articles, and VCC internal information handbooks, which helped forming our theoretical framework about company benefits. Moreover, they provided us with prior research within the topic area. This facilitated the formulation of the research questions, since we gained a sounder understanding of what was already known and what was not. In accordance with the case situation we could then focus specific problems.

Primary data was collected in form of the VCC web survey, which was necessary, since no comprehensive understanding in terms of perceptions, value and impacts of its benefit offering was known to VCC. The survey was

supplemented by in-depth interviews with VCC middle managers. Moreover, the primary data was enriched by several expert meetings and observations made during our fieldwork at VCC.

4.3.1 VCC web survey

It was previously pointed out that the case focused on middle managers at VCC only. Middle management at VCC is, according to specific tasks and responsibility, separated into three different salary levels with the following hierarchy: (1) *Leadership Level 5 (LL5)*, (2) *Leadership Level 6 (LL6)*, (3) *Salary Grade 8 (SG8)*.

In contrast to traditional paper surveys we were given the opportunity to conduct the entire survey with use of the VCC intranet. VCC sponsored the collaboration with the internal IT department, which provided the resources and know how to conduct the web survey (“How do YOU benefit?”). The advantages are enormous. Most importantly, a large amount of managers could be contacted within a very short time frame. Similarly, responses could be collected as fast, and equally important was the fact that the survey had an attractive appeal and was convenient to access and to complete at a time best suitable to the respondent – even during a short work break. Moreover, sending out reminders became an uncomplicated matter.

VCC provided us with an encoded list of e-mail addresses of all middle managers in order to select an appropriate amount of survey respondents. Each individual e-mail address is a code made up of the person’s first name, last name and in some cases a number code. Out of a total of 2753 classified VCC middle managers 1157 (42%) managers were randomly selected and received a survey invitation including the survey web link (Figure 4-2). They were given one week to go in and complete the survey via the VCC intranet. Anonymity of the survey

respondents was ensured in two ways. First, all e-mail addresses used were encoded. Second, the answer sheet of each individual respondent could not be traced back to any specific person. The only personal background information stated by the respondents is shown in figure 4 - .

The image shows a survey form titled "HOW DO YOU BENEFIT?". The "General information" section includes the following fields:

- Gender: Male Female
- Age: 21 - 29 30 - 45 46 - 55 55+
- Years at Volvo/VCC: 0 - 5 6 - 10 11 - 25 25+
- Department number:
- Salary grade: SG8 LL6 LL5

Figure 4-2 General background information

Gender was included as background criteria in order to find out whether the results would show gender specific patterns or not, which would be interesting to investigate further. Age, years worked at Volvo/VCC, and the department number were also chosen in order to filter data that would allow for the appearance of any patterns within these categories. Especially, answers from a certain age and working year group would be important to analyse with respect to benefits as means to recruit and retain a focused workforce. Lastly, the distinction between management levels made it possible to analyse each group separately. Determining these few categories of background information enabled us to filter data consisting of a combination of the categories, if necessary (e.g. only women, between 30 and 45, LL5).

Table 4-1 shows an overview of all survey responses collected after a predetermined deadline. The average response rate reached 44%. The first two of the three middle management levels (LL5 and LL6) both surprised with a response rate of 60%, which can be considered high given the short response

period of one week. In contrast, the lowest middle management level (SG8) only showed a response rate of 14%.

Level	LL5	LL6	SG8	SBU*	Total
Population Total	237	906	1610	(Included)	2753
Responses Total	140	198	80	52	470
Response Rate %	59.07%	60.00%	13.90%	11.06%	44.27%

*Salary box unknown (refers to respondents who did not indicate their management level)

Table 4-1 Survey response rate distribution

Investigations as to why SG8 was reluctant in participating in the survey revealed possible reasons. First of all, it has to be mentioned that the professional background is more the one of technical experts than the one of managers in leading positions. In addition, responses to the survey invitation illuminated the fact that most of them are probably not aware of their official classification as middle management at VCC. Hence, people did not feel primarily addressed and questioned the value of their input, as a result they were reluctant in completing the survey.

In research one seems to have to balance the gains and losses of different methods. With surveys the element of discovery is said to be diminished, if all answer alternatives are pre-determined (Gillham, 2001). In order to overcome this problem to a certain extent, the design of a semi-structured web survey was chosen for this investigation. A complete picture of the survey design is provided in figure 4-3.

The first step in developing the survey was to determine a few critical topic categories, which are listed in table 4-2. These categories were directly derived

from the formulated research questions in order to exclusively include distinct survey questions with high relevance.

CATEGORY	SUBJECT	APPLYING SURVEY QUESTIONS
1	Benefit awareness and perception	Q1, Q2, Q3, Q7, Q8
2	Benefit satisfaction and valuation	Q4, Q5
3	Motivational impact of benefits	Q6, Q12
4	Restructuring of current benefit system	Q9, Q10, Q11, Q13

Table 4-2 Survey question categories

Survey questions applying for category one covered the problem of benefit awareness and perception. Since earlier research on benefits found that many benefits and their value are not known to the employees, we first needed to establish an understanding about what and how much the respective managers at VCC know about their benefit offering. It was equally important to find out how they generally perceive benefits as such in order to better define the role of benefits, mainly in terms of attraction, retention and motivation. Category two concentrated on the manager's level of satisfaction and rating of the benefits they receive. None of this has been done at VCC before. Especially a rating of the provided benefits would give indications of benefits most valued, and provided the source of information to conduct a preliminary cost-value analysis. Doing so would enable VCC to better align benefits most valued to their overall compensation strategy.

Berger (2002) points out that the real purpose and use of compensation programs is workforce management. This includes knowing the reasons as to why employees behave in a certain way, and how to influence their behaviour towards higher motivational and achievement levels. We already know from studying different theories in chapter three that individual's needs and perceptions of

justice and equity can influence the impact of benefits provided. This is why category three is concerned with motivational impacts of benefits and how they can be explained. As VCC is today struggling with disproportional benefits cost and the uncertainty of the returns of these expenditures, category four is dealing with questions that address the restructuring of the current benefit offering. Doing so would allow us to make recommendations in order to find more cost efficient ways of their benefit administration.

Throughout the survey the questions were arranged in a sequence that would make it uncomplicated for the respondent to follow. However, questions belonging to different categories were also mixed in order to support spontaneous and reliable answers. This method prevents the respondent checking an answer on dependency and conformity with answers of the same category given before or after. Moreover, in order to increase data reliability some questions were asked again in a different way.

HOW DO YOU BENEFIT?	
Q1. Do you consider yourself to be knowledgeable about your benefits you receive from VCC?	
Yes	<input type="radio"/>
No	<input type="radio"/>
Q2. Please choose which of the following benefits you receive from VCC now or have received in the past.	
<i>[The list of benefits presented is identical with the list in Q5.]</i>	
Q3. Were you fully aware of your benefits at the day of employment?	
Yes	<input type="radio"/>
No	<input type="radio"/>
Q4. How happy are you with the benefits you receive now?	
Very satisfied	<input type="radio"/>
Satisfied	<input type="radio"/>
Somewhat satisfied	<input type="radio"/>
A little dissatisfied	<input type="radio"/>
Very dissatisfied	<input type="radio"/>
Give reason	-----

Q5. Please let us know how you would rate the company benefits listed. Choose a corresponding number (even, if you don't qualify for the benefit at present) 1 = least important, 5 = most important

Company benefit	1	2	3	4	5
Purchase of new or used car with Volvo discount	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Company car	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leasing car (E-bil)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discount on car reparations including spare parts/accessories	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Choice of Alternative ITP via Benefit World	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Volvo company pension	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FMC bonus scheme	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ford stock option programme	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Profit sharing (Volvo Resultatbonus)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Long service bonuses (Tjänsteårsgratifikationer)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Home-PC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supplementary parental pay	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Free Coffee and tea at work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Home service (Städhjälp)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flex-time	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Compensatory time (Kompensationsledighet)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fitness programme (Sörredsgården)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sponsoring of participation in Göteborg half marathon	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Possibility of enjoying stay at Bokenäs holiday village	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Volvo Card (discount on fuel, cleaning etc.)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Discounts at external stores (Personalrabatter)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Voluntary insurance (group insurance for Volvo employees)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Liseberg card	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Restaurant facilities within VCC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Free parking facilities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q6. Which are the 3 most important benefits that increase your personal motivation? Why?

Q7. Do you consider benefits mainly to be:

Please choose all that apply.

- A problem
- Something that provides security
- Something that recognises/rewards your work efforts
- Something that shows my value to the company
- A good thing that can help improve quality of life
- Something to be expected from your employer

Q8. How true are the following statements for you? Please choose.

Statement	very true	somewhat true	somewhat untrue	very untrue
The company's benefits motivate me in my work	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company makes it easy for me to achieve the benefits I desire	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company has clear guidelines for achieving desired benefit levels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am happy with the benefits I currently receive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I would consider exchanging some of my salary to get more benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The company's benefits encourage me to find more effective ways of working	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Q9. Would you like to be able to design your own benefit package?
Yes No

Q10. Do you think it would be more fair to design your own benefit package?
Yes No

Q11. Do you want your benefits to be flexible to adjust to your changing needs over time?
Yes No

Q12. Please rank the 3 most important reasons that would motivate you to stay with the company?

Higher salary

More or better benefits

Promotion / Opportunity for advancement

Other more interesting tasks

Chance for development (education, skills training etc.)

Better opportunities to influence your work environment

Company culture

Social / geographical reasons (closeness to family and friends)

Other, specify

Q13. If you could chose between a variety of benefits, which one would you like to add to the ones you already receive? Please state the 3 moste important.

Figure 4-3 VCC web survey design

During the design stage of the survey a variety of different questions and answer types were applied depending on the question purpose. It was our intention to

stimulate the respondents with altering questions and answer styles in order to keep their level of attention as high a possible.

For example, *selected responses* are most suitable when asking respondents to give basic or factual information about themselves (Gillham, 2001). These were, for instance, applied in the first section dealing with the respondent's background information (e.g. age, gender).

Another type is *specified responses*. They are a simple form of open questions as used, for example, in Q6, or Q13. In Q6 they were followed up with a 'Why?' question in order to receive more detail on underlying reasons for their responses. Considering the nature of surveys open questions are kept to a minimum amount, since quantitative data is focused. However, the application of a few open questions allowed for more explorative and spontaneous responses. In addition, the survey feedback showed that the respondents felt that their personal opinions are valued, which was a motivating factor for completing the survey.

The analysis of open answers, however, requires more effort and time than for closed questions. Nevertheless, one main advantage of open questions in surveys, as opposed to interviews, is the fact that in surveys respondents are inclined to be more precise and in short with their answers, since they have to write them down. In order to prepare the analysis of the open answers an extensive content analysis was performed. Essential parts of the answers were filtered and subsequently listed under the appropriate main category. This method enabled us to crystallise, for example, vital reasons as to why respondents were satisfied/ dissatisfied with their benefits, or illuminated reasons for why certain benefits are stated to be motivating and others not. As all open answers were categorised, and later compared to the interview transcripts, the power of the written word became evident.

Further, *ranked* (e.g. Q12) and *scaled responses* (e.g. Q4) were applied in the survey. Ranked responses are said to be a more subtle way to make respondents express preferential judgements (Gillham, 2001). In the specific case of Q12 it was the intention to identify the role of benefits as a mean for retention as it would give us an idea of the relative merits of the different items presented. However, it has to be noted that no matter how tempting, the ranks of each item cannot be averaged, since the intervals between the numbers are not equal opposed to a true numerical scale. In other words, the numbers (1, 2, 3) are no more than descriptive words like 'high' to 'low', and words can hardly be averaged (Gillham, 2001). As can be seen in Q4 the *scaled responses* applied here were of a rather unusual nature as an asymmetric scale was used. The reason behind this method was the emphasis on why respondents were dissatisfied with their benefits, since our experience with these type of responses is that people tend to be more or less positive, when it is doubtful that they are really satisfied. The wording of the scale was tested and discussed in length in order to arrive at a solution that would make it easier for the respondent to admit that they are more or less dissatisfied with their benefits, since this was the main intention of this question. Knowing whether one is satisfied or dissatisfied was not enough; more importantly we needed to know why and asked the respondents to give reason for their answer.

Since the survey was directed toward middle management with varying national background, respondents were able to choose between a Swedish and an English version. The challenge in providing this choice was to ensure that a translation of the questions would not endanger the content or meaning of them. Professional translators were consulted to ensure the quality of both survey versions.

With the maxim of constant survey improvement piloting the questions as well as piloting the entire survey was crucial for the improvement of the final survey versions. Piloting the questions is distinct from piloting the entire survey. When piloting the questions a small group of people who were not specialist to the group we were targeting were provided with a list of questions and answers that included more alternatives than needed. They were asked to comment on anything they find unclear or preferable, since the purpose of this exercise was to 'get the wording right'. In the pilot study of the survey ten participants rather similar to the targeted group were asked to comment on, for example, clearness, simplicity, content, and variety of the entire survey design. This procedure was crucial in order to help refine the final survey versions.

With strong support of VCC's IT department technical constraints and difficulties were limited. Nevertheless, to ensure that the final survey outlook will fulfil the purpose when accessible on-line, constant revision and testing was necessary before sending out the survey invitations. The survey responses were automatically sent to an internal VCC account. The format of the answer sheets was not uniform, since only answer alternatives clicked on were visible. This in turn involved a process of editing in order to tabulate the data.

4.3.2 The discourse

In addition to a comprehensive survey on benefits provided by VCC, another 11 in-depth interviews were conducted. Kvale (2000) expresses that to him it seems that many interview studies would have benefited from a smaller amount of interviewees. Instead of focusing on quantity one is advised to be primarily concerned with interview preparation and analysis. Eleven interviews might appear as a small number compared to 470 survey respondents. However, reflecting on Kvale's advice, and realising that adding another few interviews would not have impacted data quality, rather the opposite, we concluded that we

will profit from a smaller number of interviews. Ten middle managers from Leadership Level 5 and 6 were randomly selected to be interviewed. The selection criteria, however, included a representative spread in terms of:

- Gender (50% male, 50% female – since VCC’s long-term goal is to have more women in leading positions, the female quota was increased)
- Business unit (e.g. marketing & sales, business administration, engineering, human resources)
- Prior survey participation (50% yes, 50% no)

In addition to the ten middle managers VCC’s Vice President of Human Resources and Employee Affairs & Total Compensation was interviewed. He was asked almost identical questions in order to contrast the middle managers answer. Doing so enabled us to analyse whether there exists a conflicting thinking in terms of VCC benefits from the employer versus the employee perspective. All interviewees immediately agreed to an interview with us.

The main purpose behind the supplementary interviews was to allow for a deeper understanding of the survey results, especially since one is restricted in asking why and how certain phenomena occur. More elaborated in-depth responses that illuminate specific subjects and turn up possible explanations were required. We decided on a semi-structured interview design, which combines the elements of control and spontaneity. The interview guide included a small number of predetermined key interview questions, whereas prompts and probes merely facilitated the discovery of unforeseen and more insightful responses. The design of the interviewee guide followed is illustrated in figure 4-3.

INTERVIEW QUESTIONS	PROMPTS
1. How important are benefits for you when deciding on an employer?	Deciding factor
	Anything more important
	Competitive
	Company comparison
	Increasing importance
2. Which benefits offered are valuable to you, and why?	Status/ Recognition/ Reward
	Needs
	Motivation (Work performance
	vs. Private life)
	Other benefits
3. Are the most expensive benefits also the better ones, in your opinion?	Which ones?
	Why?
4. Which are the benefits you could do without, and why?	Use
	Needs
	Convenience/ Ease of use
	Personal value
5.Scenario: Benefit cafeteria system/ point system Would you favour such a system? Why?	Advantages
	Disadvantages/ Problems
	Flexibility
	Individually tailored to your
	life style
	More fair or not - why?
Extras (regarding specific VCC benefits)	Free coffee & tea (Pay self?)
	Home service (Equality?)
	Pension (Cost, contribution)

Table 4-3 Interview guide design

The key questions chosen for the interviews were oriented by a preliminary survey analysis. They can be considered a follow-up on notable survey results and on questions raised in the survey that required a more elaborated in-depth

response in order to facilitate answers to the research problem. Particular attention was paid to designing questions that are very distinct from each other, which will in turn generate data material that is distinctive in its content. This significantly aids in the task of content analysis. The prompts used were of supplementary character. They helped facilitate something that is essential to achieve the research aim: *control*.

Control over the interview is necessary in order to steer the direction and to ensure that key points are going to be covered (Gillham, 2001). Moreover, prompts allow for a certain degree of interview standardisation. This refers to comparability of interview answers, which is vital for the content analysis.

All interviews were conducted in Swedish, which enabled the interviewees to express themselves freely in their mother tongue. We realised that this was a critical factor for avoiding misunderstandings and to reduce distance. Therefore, the interviewees were not limited in their ability to articulate themselves in a natural and uninhibited way.

In order to process the interview responses all interviews were taped and transcribed. The transcripts built the foundation for a subsequent content analysis. It is the purpose of a content analysis to organise the substantive content of the interview (Gillham, 2001). Analysing the interview answers by filtering key points, which were organised into appropriate main categories, did this. The main categories basically consisted of key interview questions and the prompts. As a result, the discourse of exploratory nature was reduced to tightly edited written text for further analysis.

4.4 Data quality concerns

Objectivity, reliability, validity

For the results of a study to be considered relevant and informative, they need to have a certain measure of validity and reliability (Eriksson & Wiedersheim-Paul, 1998).

Validity can be defined as a measurement instruments ability to measure what it is designed to measure. If the instrument does not measure what it is meant to, it will not matter if the measuring itself is done well. Validity is therefore the most important criteria for a measuring instrument and determines to what extent the collected results correspond to reality. The resulting answers of the investigation could have been interpreted wrongly due to the investigator's previous knowledge and experiences, which in turn means that the results do not correspond to reality. To strengthen validity there are several strategies to choose from. One of these is to use several sources of information and methods to validate the results (Eriksson & Wiedersheim-Paul, 1998; Cassell & Symon, 1995).

To strengthen the validity of the VCC web survey, we worked on making the questions as relevant as possible by using the foundation of theory and previous studies. We used relatively short sentences and easy to understand language. In addition, we tried to make the questions as unthreatening as possible. The HR team at VCC then scrutinised the questions. We later tested them for these criterions by having a pilot study comprising of 10 people from VCC middle management. Their feedback helped us to refine the survey. According to Lundahl and Skarvard (1992) surveys can be problematic in that they provide an uncontrollable measuring situation and it can be difficult to follow up on the questions. To solve this, we used supplementary interviews as a backup.

In order to strengthen the validity during the interviews we were able to explain and clear up any misunderstandings. To limit any interviewer bias, we prepared an interview guide prior to the interviews. This guide also contained possible prompts in order to keep us focused. A tape recorder was used to record the answers, so that we were able to fully concentrate on the responses given.

The choice of literature and its misinterpretation may represent another risk. The literature may not be current or relevant enough to the study (Zigmund, 1998). We accessed a mixture of new and old books, magazines and journals. This was dependent on their importance to the problem under investigation. However, when possible, the newest versions were used. Furthermore, the articles used for this thesis were principally collected from university databases. The risk of misinterpretation has been limited by the fact that we discussed our research with each other. Any possible misinterpretations should not have led to any crucial mistakes that could have reduced the validity of the study results.

According to McNeill (1985) reliability entails that the procedure of a study, such as the data collection process, can be repeated and the researcher should arrive at the same findings and conclusions. One of the problems with reliability is that answers and opinions can be influenced by a number of factors. To be able to have reliability, one must take many things into consideration. By being clear about the theoretical background for the investigation, it becomes easier for the researcher to interpret the results of the study. Regarding the interviews, which have been carried out in Swedish, it has to be noted that Swedish is not the first language of both interviewers. However, it is the mother tongue of the interviewees and, therefore, there may have been some small misinterpretations. To further increase the reliability of the interviews, the respondents were carefully chosen in terms of leadership level, sex, nationality and business unit.

In order to reinforce the reliability of the survey, a few control questions were used, where we reformulated the wording and the format. The high response rate

is an indication of the probability of high reliability. However, we only gave the respondent a week to reply to the survey, and according to Lundahl and Skarvard (1992) the time factor can be a problem.

Objectivity is defined as being able to conduct the investigation without involving personal opinions. However, researchers are not objective individuals; instead, they are individuals that consciously and/or unconsciously influence their surroundings (Macionis & Plummer, 1997). We tried to be as objective as possible during our interviews. Furthermore, in order to ensure objectivity of the research, semi-structured interviews were used. In addition, according to Churchill (1995) interviewees may be affected by the interviewer owing to their behaviour. Being aware of these effects, we attempted to minimise their occurrence without limiting the spontaneity of the responses.

Chapter Five

EVIDENCE FROM THE FIELD

"There are no facts, only interpretations."

[Friedrich Nietzsche]

The following chapter will present you with the main findings from the VCC web survey and additional in-depth interviews conducted at VCC. Both comprise the quantitative and qualitative evidence that supports the primary research for this report. Moreover, the evidence gathered served to help VCC assess their employee benefits currently offered. So far only little was done in order for VCC to use their benefit offering as effective workforce management tool. Thus, it was the purpose of this report to determine the impacts and effects of their benefits. Taking it a step further, the results would enable us to rethink the way VCC benefits are administered today.

5.1 VCC web survey

In this section the findings gathered from the survey (“How do YOU benefit?”) on benefits directed at middle management at VCC are presented. The answers provided us with comprehensive and tangible data, which will lay the foundation for future research that will facilitate VCC to formulate a sound benefit strategy.

5.1.1 Motivational aspects

To fully understand an individual’s working motivation one has to analyse the connection between what an individuals needs are, and what the company can offer.

Which motivational factors are important for people to feel comfortable and stay with the company? To answer this question we asked the respondents to rank the three most important benefits that increase their personal motivation (Figure 5-1). Our survey results showed that the primary reasons the employees chose to stay with VCC were higher salary, more interesting tasks, promotion and the chance for development. This does coincide with Maslow's (1943) and Herzberg's (1959) motivation theories. Once the basic need (salary) is filled, the self-fulfilment needs become important. However, the ranked order of motivating factors were: (1) higher salary, (2) more interesting tasks, (3) promotion (4) chance for development, (5) benefits, (6) company culture, (7) social geographical, (8) ability to influence work, and (9) other. A comparison of these results to Maslow's need-hierarchy theory provides interesting insight into employee motivation. The one-ranked motivator, higher salary, is a physiological factor. The two-ranked motivator, more interesting tasks, constitutes a self-actualising need. The three-ranked motivator, promotion, is an esteem factor. The four-ranked motivator, chance for development, is another self-actualising need.

RANKING	AREA
1	Higher salary
2	More interesting tasks
3	Promotion
4	Chance for development
5	Benefits
6	Company culture
7	Social/ geographical reasons
8	Work influence
9	Other

Table 5-1 Benefits as a means of retention

The findings showed that benefits do not seem to be a primary mean for retention as it ranked in fifth place, with only 8% of respondents mentioning it as one of their choices. However, receiving a higher salary was stated by 26% of the respondents. These findings are somewhat consistent with Huseman, Hatfiels and

Robinson's (1978) study where benefits received the lowest ranking out of six. Considering that many millions are spent on VCC benefits per year that result is very disquieting.

The discussion above, about the ranked importance of motivational factors as related to motivational theory, is only one part of the picture. The other part is how these rankings compare with related research. A study of industrial employees, conducted by Kovach (1987), resulted in the following ranked order of motivational factors: (a) interesting work, (b) full appreciation of work done, and (c) feeling of being in on things. Another study of employees, conducted by Harpaz (1990) yielded the following ranked order of motivational factors: (a) interesting work, (b) good wages, and (c) job security.

In the two studies cited above, interesting work ranked as the most important motivational factor. Pay was not ranked as one of the most important motivational factors by Kovach (1987), but was ranked second in this research and by Harpaz (1990). Full appreciation of work done was not ranked as one of the most important motivational factors by Harpaz, but was ranked second in this research and by Kovach. The discrepancies between these research findings and ours, supports the idea that what motivates employees differs given the context in which the employee works. What is clear, however, is that employees often rank interesting work as the most important motivational factor.

In another question the respondents were asked to state their most important motivational benefits (Table 5-2). The company car was by far considered the most motivational benefit with 25% of the responses. Surprisingly, the supplementary parental pay here ranked higher than it had in other questions. The fact that people were ranking profit sharing among the first 3 benefits supports the idea that direct cash is extremely motivating. Unexpectedly, stock options

were not even among the first 11 motivating benefits in spite of the high cost of providing this benefit.

RANK	BENEFIT
1	Company car
2	Flex-time
3	Profit sharing
4	FMC bonus scheme
5	Home service
6	Supplementary parental pay
7	Compensatory time
8	Home-PC
9	Volvo car discount
10	VCC company pension
11	Free Coffee and tea

Table 5-2 Most motivational benefits

In order to receive a general impression on the employee’s benefit satisfaction we asked how happy they were with the benefits they receive now. A 5-point scale ranging from very satisfied to very dissatisfied, indicates the level of satisfaction. This was meant to discover if employees were satisfied with their benefits in general in order to see if any major changes should be done to the existing offering.

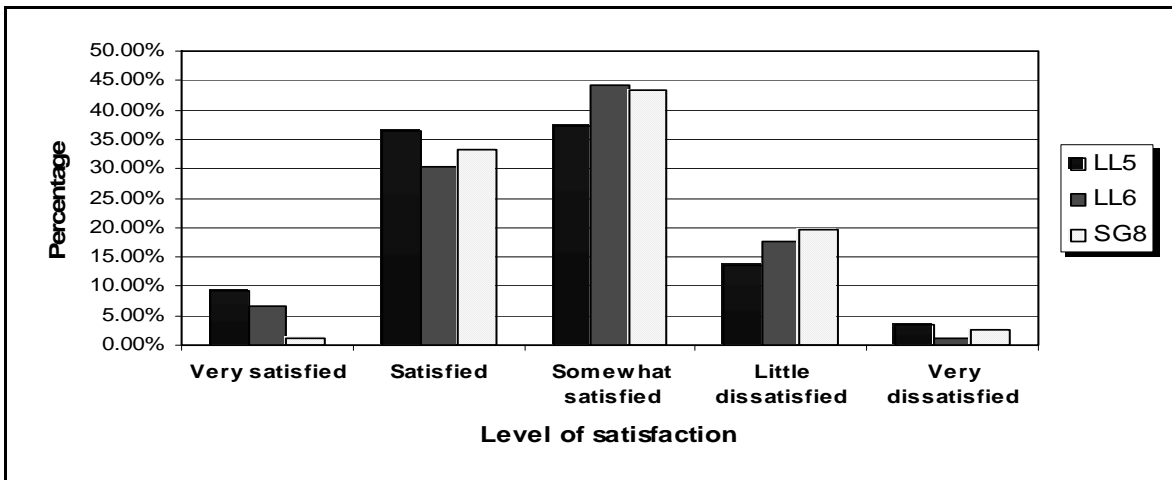


Figure 5-1 Employee benefit satisfaction

The result (Figure 5-1) showed that the LL5 group was both most satisfied and most dissatisfied. However, most respondents indicated a generally satisfied view by stating that they were either ‘satisfied’ or ‘somewhat satisfied’ with the benefits they receive.

As part of this question, the respondents were also asked to indicate their reasons for their level of satisfaction. Reasons for both satisfaction and dissatisfaction are highlighted in table 5-3 below. It was notable that ‘satisfied’ people tended to give reasons for their dissatisfaction, and vice versa.

SATISFACTION	DISSATISFACTION
Equal to industry standard	"Pseudo" benefits
Usefulness/ Valued	Poor benefit communication
Motivating	Benefits not perceived generous
No benefit missing	Benefits should be improved/ reassessed
	Difficulty of use/ Accessibility
	Not competitive (in Sweden and abroad)
	Discrimination
	De-motivating
	Not sufficiently performance driven
	No direct influence on benefit package

Table 5-3 Reasons for satisfaction and dissatisfaction

5.2.2 Aspects of communication

The benefits manager can support the attraction and retention alluded to in the previous section. As employee orientation is a critical success factor in hiring, and a large proportion of orientation is related to communication and enrolment in benefits. This is an optimal time in an employee’s career to communicate the quality and value of benefits provided, and to demonstrate concern for employee well-being. Rich benefit plans are a significant competitive disadvantage, if employees do not understand or appreciate the benefits they receive. In their

answers the respondents revealed that there was a clear lack of communication in the recruiting process (Figure 5-2).

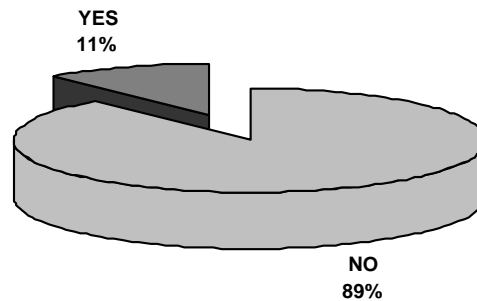


Figure 5-2 Employee benefit awareness at day of employment

The results showed that 89% of respondents did not know about their benefits on the day of employment. So they were not aware of the benefit offering previous to applying to VCC.

This lack of information about the benefits is something that seems to continue during much of their career. In order to determine if the lack of benefit knowledge was endemic, and if there could be a correlation between the lack of benefit awareness and appreciation, respondents were asked if they considered themselves knowledgeable about their VCC benefits.

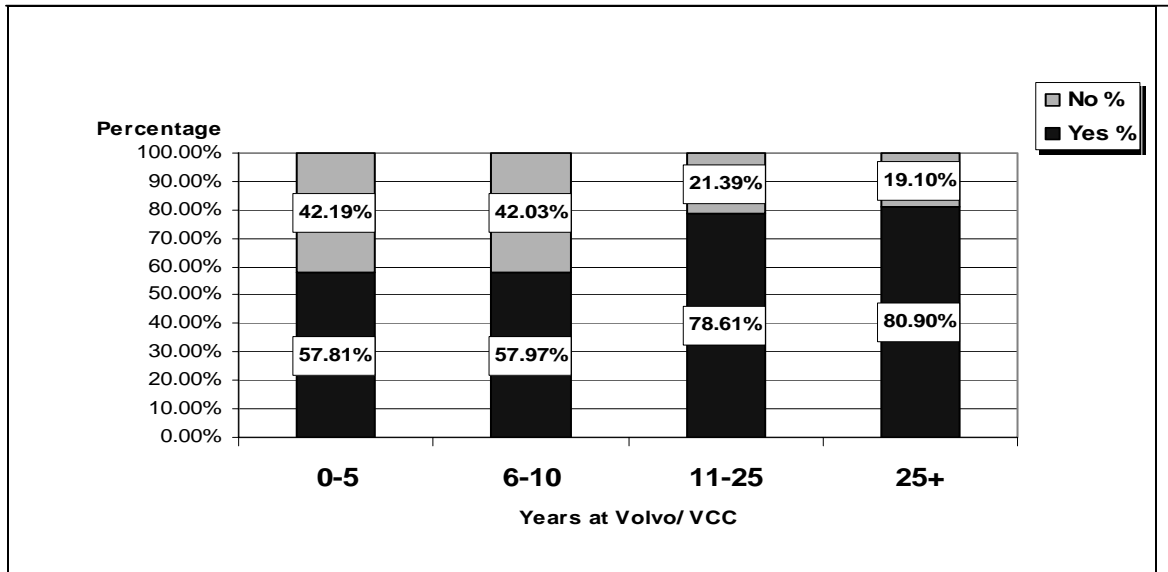


Figure 5-3 Level of benefit knowledge

We found that the longer they had been employed the more knowledgeable they were about their benefits (Figure 5-3). However, there was basically no difference between the group with 0-5 years of employment and the group with 6-10 years of employment. This implies that employees make no personal effort to find out which benefits they qualify for.

Other things being equal, the higher the pay level, the higher the labour costs. Organisations with a high pay level may attract and retain a qualified workforce and reduce training or recruiting costs (Holzer, 1990). In spite of this, employee benefit costs have jumped from 25 percent of payroll in 1959 to just over 40 percent in 2001 (US Bureau of Labour Statistics, 2001). However, at VCC benefits make up for 10% of the total compensation. These cost would not seem nearly so outrageous if there was evidence that employees place high value on the benefits they receive. Unfortunately, employees frequently undervalue or are not even aware of the benefits they receive. To test the benefit awareness of the respondents we asked them to select from a list those benefits they received.

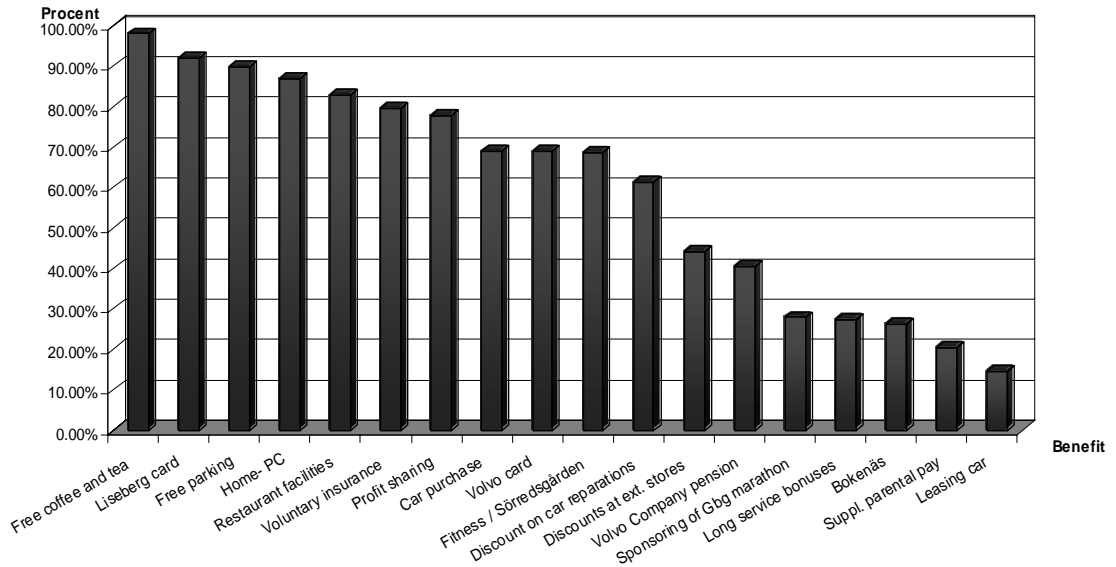


Figure 5-4 Employee benefit awareness

The results shown here (Figure 5-4) are only pertaining to general benefits provided by VCC. Benefits remembered were very obvious things like the VCC card, Liseberg card, free coffee and tea. The respondents probably referred to benefits used not offered. The figures are disquieting because benefits ranking highest are not valued the most nor considered the most motivating. In Williams’ and Newman’s study (1993) it is shown that normally only 15% of all benefits are remembered when asked. However, in our case, the respondents most likely referred to benefits they use, rather than know they qualify for. In addition to this, the benefits were listed, and therefore the respondents were already provided with a complete picture of their total benefit offering. We also asked for benefits received either within the last year or now. Due to this, respondents would not have answered, whether they were eligible or not even if they received these benefits earlier than a year ago.

5.2.3 Employee benefit perception

In the next question we intended to find out about the employee's general perception of company benefits. The respondents were asked which of six statements best fit in with their perception of benefits. The results are illustrated in figure 5-5 below.

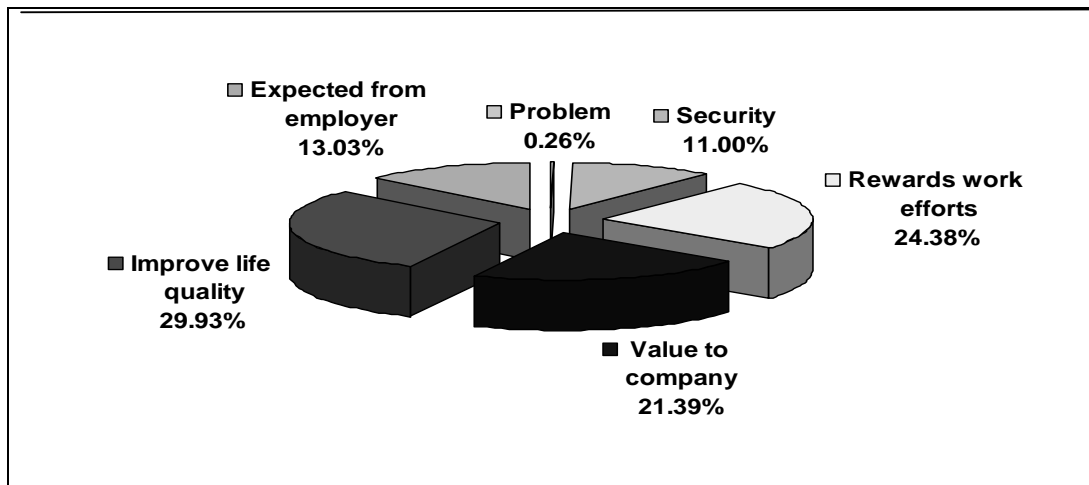


Figure 5-5 Employee benefit perception

The benefits that were considered most valued and motivating, and the most wanted ones, seem to coincide with the respondents leading perception of benefits. These pertain to the life quality concerns (Improve life quality 30 %).

Furthermore, we asked the respondents some control questions about the goals of the compensation strategy so we could find out their general views in the area of benefits (see Q8). Here they were asked to take a position on six statements by choosing from four alternative answers.

Notable numbers for happiness (37% not happy) could indicate that people are relatively happy with the benefits they receive but miss some other important ones, which they do not have at present. The communication issue once again

becomes obvious as 65% of respondents show that they are unclear about the guidelines to achieve certain benefit levels. It also brings the lack of a general benefit strategy into sharp focus.

5.2.4 Return maximisation of benefit expenditures

This part of the survey analysis examines the return maximisation of benefits expenditures from three perspectives. First of all the intention was to find out how participants rated their company benefits. The results would enable us to propose a cost-value analysis, which highlights benefits most cost effective for the company. Another set of questions concentrated on the possibility of restructuring the existing benefit system. They imply a more flexible and individual benefit offering. Moreover, a system review would allow for controlled benefit spending with cost saving potential. Lastly, participants were asked which additional benefits they would like to see in their benefit offering. The benefits stated highlight contemporary employee needs and might be used for a reassessment of the current benefit offering.

Company benefit rating

In order to determine company benefits most valued survey respondents were asked to rate all (25) company benefits.

The rating might be distorted to some extent because respondents were asked to rate all company benefits whether they qualify for them at present or not. Hence, simply because one does not qualify for one benefit it can be concluded that in some cases the rating says more about ones perceived value of a certain benefit. Table 5-4 gives an overview of the top 10 company benefits and the respective relative costs.

RATING	COMPANY BENEFIT	RELATIVE COST (2003)
1	Company car	High
2	Flex-time	Low
3	Compensatory time	Medium
4	Free Parking	Low
5	Profit sharing	High*
6	Home-PC	Cost neutral
7	VCC company pension	High
8	Car purchase with discount	Cost neutral
9	Voluntary insurance	Cost neutral
10	Supplementary parental pay	High

*Based on year and financial result

Table 5-4 Benefit rating vs. relative costs

Additionally, it is important to take into consideration that respondents might have rated rather tactically, which considers a problem of data reliability in general. Being aware of potential cost cuts certain benefits might be rated higher in order to give the impression that they are of particular importance.

Also, data comparisons with other questions showed that some benefits ranked significantly higher or lower than asked before in a different way (Table 5-5). For example, free parking ranked only 18 as motivational benefit, whereas it ranked 4 in a general benefit rating. Interviews with a VCC expert group revealed that this might be the case because such benefits are considered hygiene factors. According to Herzberg's (1959) two-dimensional theory of motivation, hygiene constitutes one factor of motivation. However, providing hygiene factors will only reduce employee dissatisfaction but will not motivate workers to high achievement levels. In other words, some benefits might be perceived as industry standard expected from the employer.

MOTIVATIONAL BENEFIT	RANK	GENERAL BENEFIT RATING
Company car	1	Company car
Flex-time	2	Flex-time
Profit sharing	3	Compensatory time
FMC bonus scheme	4	Free parking
Home service	5	Profit sharing
Supplementary parental pay	6	Home- PC
Compensatory time	7	VCC Company pension
Home-PC	8	Car purchase with discount
Volvo car discount	9	Voluntary insurance
VCC company pension	10	Supplementary parental pay
Free Coffee and tea	11	Free coffee and tea
Others	12	Discount on car reparations
Voluntary insurance	13	Volvo card
Fitness program	14	Restaurant facilities
Ford stock option program	15	Long service bonuses
Choice of Alternative ITP	16	Fitness program
Discount on car reparations	17	Home service
Free parking facilities	18	FMC bonus scheme
Restaurant facilities within VCC	19	Choice of Alternative ITP
Long service bonuses	20	Ford stock options
Volvo card	21	Leasing car
Leasing car	22	Liseberg card
Liseberg card	23	Discounts at ext. stores?
Bokenäs	24	Bokenäs
Sponsoring of Gbg marathon	25	Sponsoring of Gbg marathon

Table 5-5 Motivational vs. General benefit rating

The data comparison between the ranking of motivational benefits and a general benefit rating shows that for some benefits as, for example, the company car or flex-time the ranking correspond. In other cases figures vary considerably. Hence, no clear correlation between the motivational impacts of a benefit's general rating can be recognised.

Time for change?

The next set of questions focused on the possibility of restructuring the existing benefit system. It was the intention to analyse the respondent's readiness for a change in the way benefits are administered at present. The concept of something

similar to a cafeteria-style benefit system was guiding these questions. Table 5-6 shows all three questions asked and respective results.

QUESTION	YES	NO
1. Would you like to be able to design your own benefit package?	84 %	16%
2. Do you think it would be fairer to design your own benefit package?	62%	38%
3. Do you want your benefits to be flexible to adjust to your changing needs over time?	92%	8%

Table 5-6 Opinions on a cafeteria-style benefit system

The results from all three questions signalled that the majority of the respondents are prepared for a change in the way benefits are administered today. It is of special note that 92% of the respondents would support a flexible benefit system in order to adjust their benefits to their changing needs over time.

Additional benefits desired

As part of a benefit system revision respondents were asked to state any additional benefit they would like to include in their current benefit offering.

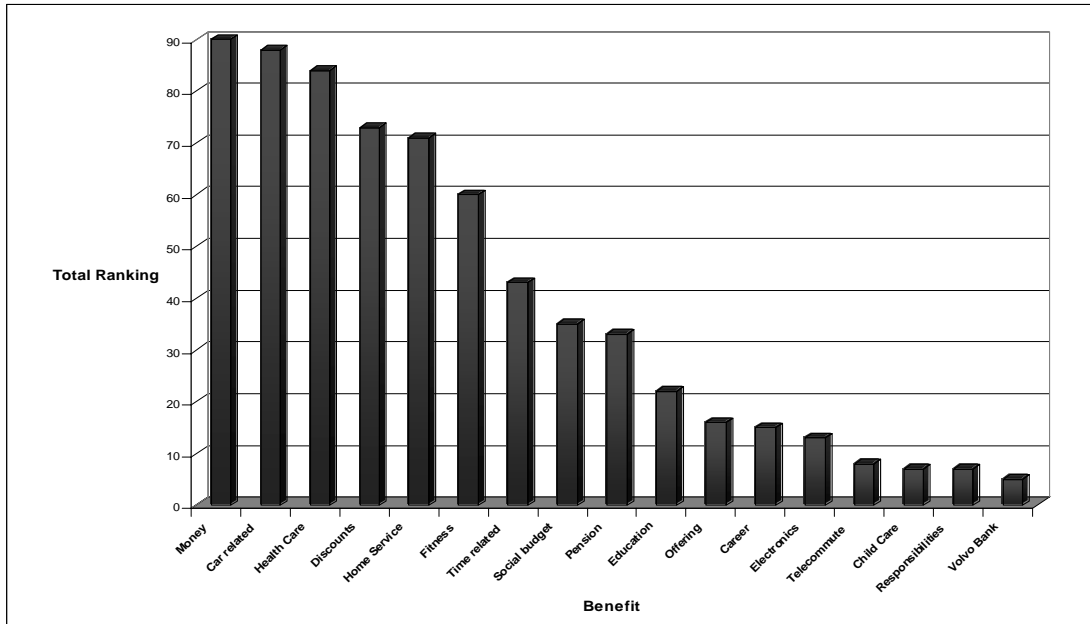


Figure 5-6 Additional benefits desired

Our figures (Figure 5-6) showed that salary increases either in the form of bonuses or as more performance driven pay is the benefit desired the most. It is questionable, if these solely monetarily oriented benefits can be considered benefits at all (question of definition). However, they call for a revision of the company’s total compensation strategy. Also, taking into consideration that higher salary was stated to be the primary factor to stay with the company, these results should not be ignored when retention of key persons within middle management is a matter of concern.

Furthermore, health care and work-life-balance related benefits are of note. These results correspond with the fact that 76% of all respondents perceive benefits as either a part of their compensation that improves life quality, as something that shows their value to the company, or as a means to reward their work efforts.

5.3 The discourse

This section deals with the responses collected during our in-depth interviews. They were conducted in order to supplement the survey findings. The insights gathered from the interviews correspond to the same three sub research areas as the survey does. These are motivation and retention, communication and costs issues. The interviews focused on the employee perspective versus the employer perspective. Firstly, in order to highlight the employee's perspectives 10 middle managers from LL5 and LL6 were interviewed. Then, to contrast their opinions the Vice President of Human Resources and Employee Affairs & Total Compensation was also interviewed and asked almost identical questions. Doing so enabled us to compare the employee's perception on benefit issues versus the company's perception and its intentions behind the benefit offering.

5.3.1 Perspectives on benefits and recruitment

To obtain clarification on the impact of benefits as recruitment tool, we asked the interviewees how important benefits are when deciding on an employer. None of the respondents found benefits a primary factor. However, they consider benefits to be fairly important after factors like base salary, company culture and products, specific tasks and responsibility. Characteristic statements for this question are:

“If everything else was equal between for instance two companies I would chose the better benefits, however I am not the one who thinks about benefits first. But then I would have to be aware of them. I don't usually think, of for instance, about a company car. It would have to be communicated.”

“Not really much of a determining factor. I concentrate more on company culture, tasks and variety”

The employer perspective corresponds with what the majority of the middle managers we interviewed said. The Vice President of Human Resources and Employee Affairs & Total Compensation also gives reasons for why VCC benefits are not considered so important. As previously stated, benefits only ranked fifth in importance as a factor to stay with the company (see Table 5-1). This is also reflected by the following quotes:

“Base salary, company, culture, business performance still remain most significant deciding factors.”

[...]”at the recruitment level benefits are not sufficiently promoted. The other day I saw a booklet with all different companies listed. I was disappointed because everyone except VCC had a section on benefits. Our recruitment department simply did not think of it, so we do not advertise them enough, people only find out when they get it, we don’t use benefits efficiently in our strategy to become an attractive employer. Our benefits lack impact, also we have not been very consistent in providing them.”

5.3.2 Motivational aspects

The next question focused on motivational impacts of VCC benefits. Interviewees were asked which benefits they considered most valuable and why. As part of this question needs and wants were taken up. In accordance with results from the survey work-life-balance related benefits including health care and performance driven benefits like individual bonuses are valued almost to the exclusion of all of the benefits. The following statements highlight the weight of work-life related benefits:

“The benefit of getting faster medical care is something I would like to have added to my existing benefits. You have so little time that often you cannot even call and schedule an appointment. It is something that would make my day considerably easier. Most importantly, it enables me to access the company healthcare system even if you only have an ordinary cold. It takes a lot of time, and the company loses on this.”

“The thing I can think of is the training card at Sörredsgården. I find it a very generous thing for VCC to do, but if you do not live nearby, you find it difficult to utilize this benefit. Would like to see it extended to other fitness clubs.”

Similarly, these statements represent the significance of performance driven benefits:

“If I can influence my benefits through my performance, then that is certainly motivating – This should be promoted more! It makes a difference for me personally and also for everyone else, so that one knows, what is required in order to receive certain benefits. A more concrete structure with clear guide lines would help.”

“Bonuses – to make more money, to have an aim to work for. Also more performance driven performance is promoted that way.”

“Flexible part of salary – performance driven pay! You can’t really have fixed salaries for a certain group of people, since not everyone is performing the same, so more performance driven pay is something I miss here at VCC.”

VCC as an employer is aware of the need for increased work-life balance:

“In future certain benefits will also be offered at lower levels: Additional pension plans, medical care, and more insurance. Most important to mention are time benefits like flex-time for instance – I think of it as a non-direct benefit with no clear financial value but probably still the most important. We need to improve on flex time and sabbaticals.”

In contrast to the opinion of some middle managers, performance driven pay like individual bonuses may not be in the best interest for the employer:

“I think that cash is seen as most important, but for the company it can be cheaper to offer benefits instead.”

5.3.3 Views on benefit communication

An insufficiency in terms of benefit communication has been pointed out by both, the middle managers interviewed and the Vice President of Human Resources and Employee Affairs & Total Compensation. This was also evident in the survey. However, the VP best sums up the communication issue:

“Today’s benefit offering is not very well communicated. It is complex and people do not understand it. Our benefits need to be presented in a more comprehensive way, especially during the recruitment process. So far there has not been a clear owner for benefits. The main problem: we just have not worked with benefits that intensively, there was no clear responsibility, it was not prioritized, often because people do not think of benefits as benefits like the company car for example.

Reasons to communicate benefits more are: create attractiveness, consistency, and tell people how to use their benefits. My philosophy: everything should be as open as possible.”

5.3.4 Costs and new structures

Three questions are covered in this section. They examine benefit cost perceptions, the desirability of certain benefits and the possible restructuring of the existing benefit offering.

The overall reason behind all three questions is to identify cost saving potentials.

First of all we asked the middle managers, if the benefits, which they perceive as most expensive, are also the better ones? Benefits that have been identified as most expensive by the majority of the respondents are:

- Company car
- Pension
- Home service
- Free coffee and tea
- Supplementary parental pay

However, there was no consensus on which benefits are the ones most valued. Nevertheless, the respondents agreed that benefits most valued change over time. The quotes below are representative for the respondent's reactions:

“For different persons different benefits become important at varying stages of their lives. Even if it is not the actual most costly benefit, it might be something one needs exactly that moment and then it becomes really valuable.”

“It depends on what it would cost me by comparison as a private person to negotiate certain benefits myself – mostly VCC can offer better deals.”

“I don't think that the more expensive ones are necessarily better. It depends on what is important to you at the time.”

“Hard to answer, but I do not think there is a direct connection between the actual cost and perceived value.”

In the next question respondents were asked which benefits they can do without and why.

Benefits they said to be unwanted can be categorised as follows:

- Inconvenient to use
- No personal value or need
- Not perceived generous

Each category can be illuminated with one applicable quote:

“For the one thing it's a matter of accessibility, for the other thing it is the fact that someone else decides what I should do.”

“Everyone has different needs – and the benefits offered are more an average of what the usual employee will need or value.”

“Company pension – peanuts! Profit sharing – peanuts! Liseberg card – peanuts! It is worth 300 SKR per year!”

From the company's perspective:

“It is not so much about taking away benefits, it is more about an appropriate and consistent way of using what we have. Benefits we want are a combination of 3 elements: (1) they need to be cost friendly, (2) attractive, and (3) cost must be proportional to the attractiveness and the individual and should support VCC's long-term goals and philosophy.”

After determining that some benefits may be unnecessary expenses, we presented the interviewees with a scenario in which a cafeteria-style benefit system was explained. They were then asked, if they would favour such a system. Moreover, we were interested in finding out what advantages and disadvantages they could foresee in such a system.

All 10 middle managers stated that they would certainly be in favour of a cafeteria-style system.

The conversations revealed a variety of characteristic reasons for their positive reactions:

“Such a system should suit me much better, because it guaranties a certain freedom, but it is important that there a clear guide lines as to how and what I can get.”

“Yes, everyone get s what he/she needs and wants – no jealousy promoted, if same “menu” is provided to everyone.”

“Such a system would probably suit many, because it gives a certain freedom, and flexibility. But it is important that there is a lot of thought behind it, and that it does not interfere with the company culture too much.”

“I can choose according to my needs. I like the sound of that. Could be become more satisfactory.”

“On my part it would be good if the company could use the money paid/put away for the things I do not use.”

Despite the fact that their spontaneous reaction was positive they surmised that the possible negative impact of such a system should not be underestimated. In the subsequent main concerns are expressed:

“Swedish solidarity stands for other values (I shall not have it better than anyone else) This is till very much present.”

“People could make bad choices and find themselves in trouble down the road.”

“Maybe many will pick the same benefits and therefore the burden on that benefit may increase the cost of it.”

“Does not go together with the Swedish “jantelagen” - Do not think you are better than anyone else!”

“Big administrative effort and costs.”

“Negative impact on team work (very much valued here at VCC), tendency towards too much individual performance.”

It seems as though a cafeteria-style-system was already discussed at VCC’s executive level. But the decision to implement such a system is still on the drawing board. It has, however given them time to think about possible shortcomings that may arise from such a proposition.

“My experience is not to make it too complex or overly sophisticated otherwise it becomes very difficult to administrate and people will not understand it.

The difficulty here in Sweden is that so many things are collective. We don’t have so much freedom, since you are linked to collective systems. You have less flexibility here, but that’s changing.

Most difficult is how to measure the value of benefits – is it the cost or the perceived value of the individual?

Also it’s important to think about what employees want, even though I would not allow them to exchange their pension plans for direct cash because that would not fit our company philosophy. We are a

caring company and like to offer that sort of security, it is part of our values.”

5.4 Summing up the findings

The survey and the interviews set out to examine employee benefits currently offered at VCC. Therefore, we focused on motivational, communication and cost aspects. We felt that analysing these specific aspects would facilitate VCC in turning their existing benefit offering into an effective and valuable workforce management tool. It appears from the preceding survey and interview results that there is a clear need for benefit communication most of all. Furthermore, a reassessment of the current benefit offering is wanted as many of the respondents expressed that certain benefits lack impact and are undervalued. This is unfortunate considering the vast amount of money spent on benefits. According to the survey middle management does not seem extremely dissatisfied with what they receive. It is more a questions of getting the most out of what VCC is offering today.

ANALYSIS AND DISCUSSION

"It is better to debate a question without settling it than to settle a question without debating it."

[Jeseph Joubert]

This chapter is presenting the analysis and discussion based on the research findings from the preceding chapter five. The analysis along with the discussion is structured in a way that they are directly linked to each of the three initial research questions. This approach facilitates to a great extent the answering of each question, which in turn helps solving the main problem.

6.1 Maximising returns from benefit expenditures

6.1.1 Cost containment

A primary way of maximising the return from benefit expenditures is to reduce benefit cost. Cost containment is the major issue in benefits planning and administration today. Escalating costs from the 1970's till today, combined with the disappointing evidence that benefits have little impact on shaping positive behaviours, have moulded the cost-cutting drives of this and the previous decade. Increasingly employers are auditing their benefit offerings for cost containment (Terry, 2002).

The main type of cost-cutting measure is through the use of probationary periods, which excludes new employees from full benefit coverage until some term of employment is completed. This option is generally not used in Sweden. Another

type of measure is to have benefits limitations that limit disability income to a certain percentage of income. In addition medical and dental coverage for certain procedures can hereby be limited to a specific amount. Having employees pay a fixed or percentage amount for coverage by so-called co-pay is also a possible measure.

Most appropriately, since the costs of this are so high, is to use administrative cost containment. This would include such things as seeking competitive bids for program delivery. (Milkovich & Newman, 1999)

A long-term cost strategy involves promotion of preventive health programs. This means the employee's health is safeguarded now before the company is confronted with major expenditures in the future. No smoking policies and incentives for quitting smoking have been popular inclusions. But there is also increased interest in healthier food in cafeterias and vending machines, and early screening to identify possible health problems before they become more serious. According to Falkenberg (1987) one review of physical fitness programs found fitness lead to better mental health and improved resistance to stress; there was also some evidence of increased productivity, increased commitment, decreased absenteeism and decreased turnover. Our survey results showed (Figure 5-6) that VCC's employees place high value on health and fitness related benefits and want more of these to be included in their current benefit offer.

When discussing different types of cost containment one must not forget the excessive administrative cost involved when providing benefits. In several discussions with VCC benefit experts it was confirmed that administrative costs are often forgotten in the estimated costs of designing the benefit offering. Today at VCC, the process of benefit administration is consuming and confusing process. It was emphasised that any benefits costs need to be thought of in

relation to their potential value. Being of value means that the benefits provided are highly appreciated and apply to a sizeable percentage of employees.

6.1.2 Cafeteria-style benefit systems – Saving cost?

The cafeteria-style benefit system is one of the outstanding compensation practices that are becoming readily adopted. The main reason behind its application is the alleged cost saving potential. The employee is offered free choice of a benefit package where the amount of benefit corresponds to a fixed percentage of the total compensation.

The majority of surveyed employees stated that they would favour a cafeteria-style system where they could choose themselves which benefits to receive as long as clear guidelines are communicated. They agreed that the freedom of choosing benefits that are important to them at a certain stage of their life is the most important advantage of such a system. It was also argued that the level of benefit satisfaction is expected to increase, since the benefit offer in itself becomes more transparent, and because the final package would be tailor-made to one's needs.

The question whether the cafeteria-style system would promote fairness resulted in controversial responses. On the one hand every individual can choose benefits that are valuable to one self. On the other, interviewees were sceptical about how the focus on individuality will affect the company culture that emphasises group achievements, and how it will affect elements of the Swedish culture that emphasises equality. VCC's Executive for Compensation and Benefits & Employee affairs confirmed that many company practices in Sweden are still based on collective agreements, which limit flexibility – but this is changing. Further, he points out that most importantly such a system should not be too complex or overly sophisticated, otherwise no one will understand it. Simplicity

and transparency are key. Principally, procedural justice seems to be promoted in a cafeteria-style system, as long as the procedure behind choosing a benefit package stays the same for a certain category of employees.

Cafeteria-style benefits systems can result in cost savings, since employees tend to feel more encouraged to contributing to certain benefits when they resulting tax savings and other advantages are realised. This opens up the possibilities to integrate more benefits with defined contribution. However, increased employee choice makes it more difficult for the employer to decide which benefits to include. It is imperative to determine how to measure the perceived employee value of benefits, simultaneously needs the benefit offering to correspond with the overall compensation strategy. Moreover, administrative costs tend to increase the more variety is offered.

One interviewee from the VCC expert group expressed concerns towards the adoption of cafeteria-style benefit system at VCC:

“Maybe we VCC employees are not that active. I think we are rather conservative. Furthermore, we do not belong to a branch, which is most cutting edges in technology.”

A colleague responded:

“Are we not? – In fact, that is irrelevant because even, if I would have the chance for change and I would not change a thing, the mere fact that I can, makes one more satisfied. However, such an individual and flexible system needs to be very simple in design: not too much to choose from, only what we think is most important to offer – that could work.”

Most of the middle managers interviewed seem to agree with the latter view presented. On the other hand, in order to arrive at a decision about the implantation of such a benefit systems, more company specific condition should probably be taken into consideration.

6.1.3 Employee benefit outsourcing

A variety of benefits cost saving alternatives and means to increase the return on benefit expenditures have been discussed. The pressure on both fronts; benefit costs and employee satisfaction, requires human resource departments to search for new and innovative ways to effectively manage employee benefit plans. Unfortunately, human resource departments often lack in these two critical elements: 'Not enough humans and not enough resources' (Flexible Benefits, 2001).

One possible strategy for responding to the challenge of providing and managing benefits is outsourcing. In the United States various consultancies today offer wide-ranging services for benefit outsourcing. In an interview with Harriet Hankin, the principal of the CGI Consulting Group, she stated that outsourcing benefits administration should be equally considered to outsourcing other company functions, as for example, purchasing, payroll, or recruiting (Flexible Benefits, 2001). Further, Hankin referred to Peter Drucker who says that "... within the next ten years, any organisation that hasn't outsourced everything beyond its core competencies will have missed the boat on where business is heading. These support functions - benefits in particular - have become very complex. It is much better for organisations to have experts".

We looked into the offering of numerous U.S. consultancies, which provide organisations with benefit outsourcing services. Most common advantages of benefit outsourcing that are promoted by the consultancies are attracting and keeping quality employees, improving morale, cutting cost, enhancing the benefit

offer, developing accuracy of benefit transactions and managing all benefit procedures consistently. Despite all advantages organisations might be concerned about loosing control of their benefit offering. Therefore, the company benefit philosophy and strategy needs to be clearly communicated to the outsourcing house. In order to decide for benefit outsourcing at all, an organisation is advised to look at the cost of outsourcing compared to the cost of administering benefits on its own. Focus should be put on benefit value enhancement and whether or not it saves money. Since company benefits have not gained the same attention in Europe as in the U.S., it should not be surprising that there is not a vast amount of consultancies that offer all-inclusive benefit outsourcing services today. From our conversations with benefits experts at VCC we understand that outsourcing benefit administration is not an option today. However, any initial steps to determine whether outsourcing is an option in the future or not are required in any case to find answers to the most important questions today: Do we provide the right benefits, at the right costs?

6.2 Benefit impact on attraction, retention, and motivation

6.2.1 Sustaining and influencing behaviour

Payment and benefits are, according to Torrington and Hall (1995), means to commit people to the company, but will not necessarily lead to high levels of performance.

Since motivation deals with factors that energise, direct and sustain behaviour there are a lot of important variables, which may influence an individual's motivation at work. These variables can be distinguished in three groups: characteristics of the individual, job characteristics, and work environment characteristics (Steers and Porter, 1983)

Organisational commitment can be described as the extent to which an individual identifies himself/herself with and is involved in the company (Mak & Sockel, 2001). Schultz and Schultz (1998) mentioned that organisational commitment includes the fact that a person has to accept the goals and values of the company, has to be willing to expend efforts for the enterprise, and has the desire to remain in the company. To obtain clarification on the impact of benefits as recruitment tool, we asked the interviewees how important benefits are when deciding on an employer. None of the respondents found benefits a primary factor. However, they consider benefits to be fairly important after factors like base salary, company culture and products, specific tasks and responsibility. According to Steers and Porter (1983), two types of commitment can be found in the literature - the attitudinal and behavioural commitment. The attitudinal commitment contains an individual's identification with the company and his/ her wish to remain in the organisation. The behavioural commitment, on the other hand, deals with the aspect that a person feels bound to the company, but there is no personal identification with the company goals and values (Schultz and Schultz, 1998).

Our study results showed that the primary reasons the employees chose to stay with VCC were higher salary, more interesting tasks, promotion and the chance for development. This does correspond to Maslow's (1943) motivation theory. Once the basic salary needs are filled, the self-fulfilment needs become important. Our study findings showed that benefits do not seem to be a primary mean for retention as it ranked in fifth place, with only 8% of respondents mentioning it as one of their choices. However, getting a higher salary was stated by 26% of the respondents. These findings are somewhat consistent with Huseman, Hatfiels and Robinson's (1978) study where benefits received the lowest ranking out of six. The fact that people were ranking profit sharing among the first 3 benefits supports the idea that direct cash is extremely motivating.

This final example compares the two highest motivational factors from the results in our survey to Herzberg's (1959) two-factor theory. The highest ranked motivator, higher salary, is a hygiene factor. The second ranked motivator, interesting tasks, is a motivator factor. Herzberg, Mausner, & Snyderman (1959) stated that to the degree that motivators are present in a job, motivation will occur. The absence of motivators does not lead to dissatisfaction. Further, they stated that to the degree that hygiene factors are absent from a job, dissatisfaction will occur. When present, hygiene factors prevent dissatisfaction, but do not lead to satisfaction. In our example, the lack of interesting tasks (motivator) for the employees would not lead to dissatisfaction. Paying employees lower wages (hygiene) than what they believe to be fair may lead to job dissatisfaction. Conversely, employees will be motivated when they are doing interesting work and but will not necessarily be motivated by higher pay.

Many of the employees see the benefits as being not fairly distributed. This may be due to the fact that they do not know enough about the system. The perceptions seem to be that these are de-motivating. The example can be compared to Adams' (1965) equity theory. If an employee feels that he or she has fewer benefits, as being of less value relative to the benefits of another employee, an inequity may exist and the employee will be de-motivated. Further, if most of the employees feel that there is a lack of appreciation for work done, inequity may in fact exist. Adams (1965) stated employees will attempt to restore equity through various means, some of which may be counter-productive to organizational goals and objectives. For instance, employees who feel their work is not being appreciated may work less or undervalue the work of other employees. Further, our study findings show that the existing offering is not thought to be generous, not fair and not communicated well enough. Much of these can be said to be hygiene factors, which are not always a deciding factor.

Having them may only reduce the level of dissatisfaction experienced by the individuals.

6.2.2 What does life quality mean?

Our survey results showed that most of the respondents (30%) perceive company benefits primarily as a means to improve their life quality. How can we interpret this result? We should first ask: What do employees mean when they talk about improving their life quality? Without having identified key elements of what VCC employees consider valuable in their lives it is complicated to provide benefits that help them improve life quality. Without having the respondents specifically define life quality, various survey results and interview answers can help clarify what these words mean to them today.

The survey results showed that apart from rather monetarily oriented benefits, other benefits as for example flex-time, home services, supplementary parental pay and compensatory time were stated to be most motivational. Additionally, after the company car it was flex-time ranking second and compensatory time ranking third in the general benefit rating. When we asked about additional benefits desired it was salary increases either in form of bonuses or as more performance driven pay that were wanted the most. They were closely followed by health care benefits, discounts for free-time activities, home service, fitness and time-related benefits. Apparently, money in one or the other way is valued the most as part of the total compensation. This was not exactly a surprising result, particularly when comparing Swedish base salaries with salary levels across Europe. In the interviews employees stated that they do compare their salaries and benefits and are conscious about their salary level in contrast to other countries with higher base salaries. On the other hand, the high extent of a demand for more performance driven pay was something we would have not expected. This is due to our perception of the Swedish culture and VCC's

company culture that both value group achievements higher than individual achievements. However, the question is, if a high base salary is what primarily defines high quality of life for these employees? Or more specifically: What quality can be bought with that money?

Another outstanding result that might illuminate characteristics of high life quality is the high valuation of benefits that allow for more personal time. The results of a survey on benefits trends issued by the Society for Human Resource Management 2002 confirm the trend for more family-friendly benefits, flex-time, telecommuting, and full-time work at home (Flexible Benefits, 2002). Health care benefits are an all time high on the benefit agenda. Our respondents confirmed that improved health care related benefits are of great importance. One reason for that could be the deteriorating health care services and conflicting circumstances that the Swedish health care system is undergoing at the moment.

Apparently employees are looking for more balance and harmony between work and their personal lives, which are according to Izzo and Whithers (2001) the first of six shifts what employees want from work today. However, is it not echoing in the back of our heads that work is work, and social and family life is private? And is it not illegal, impractical, and unprofitable to get involved in employee's private lives? Izzo and Whithers argue that today's employees are looking for balance on a very deep level. It is something that can be described as synergy between work and what by many is called "real life". This can be interpreted as the acknowledgement that who I am at work and who I am in my private life cannot necessarily be separated into two different worlds. The rationale might be that if work can occupy one's private life, then private life can do "field trips" into their working lives. However, it does not seem to us that employee's value in terms of monetary security, self-fulfilment and a healthy private life have significantly changed from previous decades, rather that these core values, which

can be considered attributes of life quality, have been granted permission and are more incorporated in today's working life.

6.3 Communicating the benefit offering

6.3.1 Adding value without adding cost

Cost cutting in the form of eliminating benefits, increasing employee contributions, less expensive benefit alternatives is one strategy to deal with increasing benefit costs. Simply up-scaling the benefit package could be one alternative to balance the equation of benefit costs and benefit turnover in form of higher employee satisfaction. However, compensation and benefit experts warn against these common, less thought through reactions as a means of benefits cost reduction.

Apparently, HR departments simply forget or underestimate something that should be imperative, or rather common sense to help the problem: Benefit communication! The maxim says "adding value" without adding cost. Unfortunately, few employers are getting their money worth. Our case study shows that while employees receive about 10% of their total compensation in annually benefits, most have only an incomplete knowledge of what their benefits are or how much they are worth. A total of 89% said they have not been aware of their benefit offering at the day of employment. However, the majority of respondents were rather satisfied with their current offering. But only a very small percentage said themselves to be very satisfied. Results from leading consulting companies show that employee's understanding and appreciation for their benefit package can increase dramatically when they see how much their benefits are worth. Greater job satisfaction leads to improved morale, reduced

turnover and increased productivity. Eventually this is supposed to translate into lower costs for the organisation.

The lack of communication was more or less known to our case company. But the considerable number of employees who do not fully know their benefit offering was shocking to them. What are the reasons behind a lack of benefit communication? Apparently, benefits as part of the total compensation were not prioritized, too complex and difficult to understand. The fact that for a long time, no one was specifically responsible for that area adds to the problem. The dilemma starts maybe even at an earlier stage when it comes to defining company benefits. The study revealed the when presenting the middle managers with a list of defined company benefits, they recognized most of them. However, they were not aware of their classification as company benefits, rather taking them for granted to the extent of considering them as hygiene factors expected from the employer. Recalling Herzberg's (1959) two-dimensional theory on motivation, it is said that providing employees with hygiene factors will only reduce employee dissatisfaction but will not motivate workers to high achievement levels. Depending on the underlying benefit strategy, and on how well certain benefits are promoted, this problem might be subject to a company's specific benefit definition in the first place.

6.3.2 How to tell?

Benefit Software Inc. is a leading provider of employee benefit communications products and services located in Santa Barbara (US). Their studies show that many employers have found that they can change the way their employees think about their benefits and compensation package by providing each employee with a personalised benefit statement. The benefit statements show the employees all their benefits and what they cost the employer. The company claims that employees will appreciate the value of their "Hidden Pay Check" when they see

how much their benefits are worth. These statements could either be traditional paper based or online based statements. This way the employee can overview all of the benefits they have received during the employment with the organisation. Further, it is said that the benefits statement can effectively communicate the high cost of benefits in a positive way.

A principal of another consulting firm emphasises stated that it is not enough with communicating benefits. It is equally important that employees sincerely believe that they are offered a valuable benefit package. Furthermore, the emphasis should be on helping employees understand the value of their total benefit package. It is explained that employers gain more leverage from the aggregate than from addressing each benefit separately. The shortcoming of addressing each individual benefit is that employees might have predetermined opinions – for example, the benefit in questions is not enough, it is not as much as it used to be, or it does not meet my needs. These examples are representative for a couple of reasons the VCC survey respondents and the interviewees stated, when they explained why they are not entirely satisfied with certain benefits. At the same time, both groups reasoned as well, and in detail why particular benefits are of significant importance to them and highly valued. There is evidence of a growing need to address work-life benefits and employees show appreciation when their employer brings up the issue of work. According to the survey conducted at VCC the primary perception of company benefits is emphasising the ability of benefits to increase life quality.

6.3.3 A new tool ready to apply?

Online benefit statements appear to be the new “high-tech” benefits and compensation communication tool leading consultancies and benefit software provider are talking about. They can either be published via the internet or company intranet. Online benefits statement have the advantage of being updated

more frequently than traditional paper statements and the cost of providing them can be substantially lower than the costs of printing and mailing paper statements. The statement can be published along with for instance, employee compensation policies, latest changes and the like. Moreover, online statements can help reducing the amount of administrative effort and cost involved in a benefit system. Nevertheless, initial implementation costs have to be calculated. During a meeting with an expert group at VCC the fact that administrative benefit costs are often easily underestimated was stressed at several occasions. Already without having a sophisticated benefit communication system in use it was pointed out that the administration of, for example, home services offered (to a group of 39 employees) almost requires the full-time work of one person.

6.3.4 Demanding or creating demand

Making benefit communication a primary employer responsibility is one perspective of looking at it.

The question is whether extensive communication is a means to increase the return on benefit expenditures by making employees understand the elements and value of their benefit package, or if it triggers an increasing benefit demand, once the possibilities are outlined. Interviews with middle managers at VCC revealed that even though a benefit is not valued, simply eliminating it from the total offering will result in employee dissatisfaction. However, those benefits can largely be summarised as what the majority of the interviewed managers considers hygiene factors. The Executive for Compensation and Benefits & Employee affairs clarified that the elimination of costly benefits alone will send the wrong signals, especially at times were employees already underwent the second or third cost cutting period.

At large it can also be stated that despite the fact that the lack of benefit communication is particularly obvious at the recruitment level at VCC, the employee initiatives to inform themselves about their benefits are rather low.

However, the absence of a dialogue on benefit issues, and the inherent company culture can inhibit the understanding of employee wants and needs.

6.4 Theoretical implications

The ranked importance of motivational factors of employees provides useful information for HR managers and employers. Knowing how to use this information in motivating employees is complex. The strategy for motivating employees depends on which motivation theories are used as a reference point.

According to Maslow (1943), if managers wish to address the most important motivational factor of employees, interesting work, physiological, safety, social, and esteem factors must first be satisfied. If managers wished to address the most important motivational factor of employees, good pay or increased pay would suffice. Contrary to what Maslow's theory suggests, the range of motivational factors is mixed in this study. Maslow's conclusions that lower level motivational factors must be met before ascending to the next level were not confirmed by this study.

On the contrary, if Herzberg's theory (1959) is followed, management should begin by focusing on pay and company culture (hygiene factors) before focusing on interesting tasks and promotion (motivator factors). If Adams' equity theory (1965) is followed, management should begin by focusing on areas where there may be perceived inequities (home service and company car and individual bonuses) before focusing on interesting tasks and promotion

Regardless of which theory is followed, interesting tasks and employee pay appear to be important links to higher motivation of VCC employees. Options such as promotions, internal and external stipends, monetary, and non-monetary

compensation should be considered. Job enlargement can be used (by managers) to make work more interesting (for employees) by increasing the number and variety of activities performed. Job enrichment can be used to make work more interesting and increase pay by adding higher level responsibilities to a job and providing monetary compensation (raise or stipend) to employees for accepting this responsibility. These are just two examples of an infinite number of methods to increase motivation of employees. The key to motivating employees is to know what motivates them and designing a motivation program based on those needs.

CONCLUSIONS AND RECOMMENDATIONS

"To change and to change for the better are two different things."

[German proverb]

The following chapter includes main conclusions deriving from the previous discussion. They will be presented in direct relation to the initial sub research questions in order to facilitate answers to the main research problem. Moreover, recommendations specifically directed to the most pressing benefit problems the case company is dealing with are stated.

The analysis and discussion in chapter six constitutes the foundation for the conclusions of our study. These in turn provide the basis for our recommendations. The recommendations are the answers to the main problem:

How can benefits cost savings be achieved while maintaining employee satisfaction?

7.1 How can the returns from benefit expenditures be maximised?

We can conclude that costs do not appear so outrageous when there is evidence that employees place high value on the benefits they receive. In order for the organisation to determine how valued specific benefits are a continuous revision of employee benefit perception should be conducted. Additionally, it can be said

that benefits are of high value, if a significant percentage of employees qualify for them, and most importantly, use them. That means that the return of benefit expenditures can be increased by determining which benefits have a high cost/value ratio.

Question for VCC: *Why provide certain benefits, if there is evidence that resulting costs are disproportional to their value?*

It appears as though the convergence of a sound compensation strategy together with employee wants helps focus benefits administration, which constitutes a major element of overall benefit costs. Moreover, defining benefit measures that are company strategy specific then becomes of primary importance.

Question for VCC: *How can you best converge your compensation strategy with your organisational strategy?*

We found that cafeteria-style benefits systems allow for better cost control due to a fixed percentage of benefits out of the total compensation. Controlling the benefit provision enables the organisation to generate outcomes that have the greatest behavioural impact on employees.

A flexible benefit system fits the different life stages of employees. This type of benefit system allows employees to choose a group of benefits from a list of basic and supplemental benefits. Participants can construct a benefit package that falls within the organisation's cost parameters and still meets individual employee needs. In the process, the employees gain a better understanding of and appreciation for the value and costs of their benefits. Thus, return of benefit expenditures can be maximised.

Question for VCC: *Why not consider a cafeteria-style benefit system, if cost can be reduced whilst employee satisfaction is increased?*

Since the costs of benefit administration appear significant, various means for cost containment seem to be appropriate. This would include such things as seeking competitive bids for program delivery and benefit outsourcing.

Question for VCC: *Have these avenues of benefit cost containment been explored?*

7.2 How do employee benefits impact upon an organisation's ability to attract, retain and motivate employees?

Once the base salary reached a competitive level, and other factors that have impact on self-fulfilment needs are met, benefits become a deciding factor in attracting, retaining and motivating employees. Since health care and work-life-balance benefits belong to the group of most preferred benefits by the majority of employees today, to focus on them helps retain and attract employees of choice. Therefore, it is imperative for organisations to demonstrate to employees that management is fully supportive in their need for more work-life balance. This would probably be very difficult to accomplish. Employees will need solid proof that utilising a part-time schedule, telecommuting, job sharing, etc., will not be harmful to their careers.

Question for VCC: *Does VCC consider health care and work-life-balance benefits to reflect the company culture?*

It is one essential factor to know what employees the organisation is targeting in order to use the benefit offering in a strategic way to appeal to certain demographic groups.

Question for VCC: *Who does VCC actually target?*

Further, we found that perceived inequities in the provision of benefits often lead to employee dissatisfaction and by extension to retention difficulties. Once the procedure of distributing benefit offerings is considered just, employees feel more satisfied with the result.

Question for VCC: Do VCC employees consider the current distribution of benefits to be fair?

How the employee perceives benefits can vary from how they are seen from the employer perspective, and directly influences employee's satisfaction. Organisations should engage in frequent revision of the existing benefit, since employee needs and wants change over time. In addition, the strategic comparison of the benefit offering with other organisations is important to guarantee competitiveness and become the employer of choice for a targeted employee group.

Question for VCC: How often does VCC revise their benefit offering?

Undertake a review of the existing offering and typically consider a range of amendments. The HR management team who is going to be responsible for communicating any changes in the benefit offering, should be involved in this part of the reform project. The reason for this is that this team needs to evaluate and understand the underlying motivations behind any benefit offering changes that are adopted.

7.3 How important is it to communicate the benefit offering?

A lack of understanding and appreciation of the benefit offering by employees is one of the root causes of employee dissatisfaction with their benefits. A sound

communication strategy ensures that the benefit offering is understood by the employees as a means for retention, and essential to attract qualified personnel.

Question for VCC: Does VCC have a sound benefit communication strategy today?

First and foremost, it seems essential that there is benefit communication from the HR management group. This should be done as soon as possible due to the fact that there is little understanding by the employees of what the benefit offerings are and how they work.

The fact that employees know which benefits they receive, and how much they cost the employer influences how they value them. An organisation may offer some of the best benefits in its industry, but if the employees are not aware of them or are not sure how to use them, benefit returns are not being maximized. It should not be assumed that employees paid attention when a benefit was first introduced. If an employee did not have a need for that benefit at the time it was first announced, he or she may have forgotten about it. Providing each employee with a personal benefit statements could be one alternative to pursue in order to communicate benefits and their values.

Question for VCC: Given the level of benefit knowledge in your organisation, what steps are you prepared to take?

The relationship between business objectives and personal objectives needs to be emphasised. Employees need to recognise the investment the organisation is making on their behalf and its desired outcomes. They must also have a clear understanding of the organisation's direction and its objectives. We feel that helping employees realise their role in the organisation will benefit the VCC

organisation in many different ways, including organisational commitment, productivity and employee satisfaction.

Chapter Eight

FURTHER RESEARCH RECOMMENDED

During the process of writing this report a lack of secondary data on certain areas within the field of benefits and compensation was realised. Additionally, answering one research question naturally brought up more issues worth investigating. This in turn, provides ideas and recommendations for further exploration into the topic and will be discussed in this chapter.

When collecting secondary data sources for the investigation of this report we noticed a distinct lack of figures on benefit spending in Sweden. Therefore, there seems to be a need for an extensive cataloguing of employee benefits available and what these cost Swedish businesses annually. Further, it would be interesting to investigate how these figures might vary across the national industries. By extension, it would be worth examining whether cultural influences come into play. These can range from organisational to national cultural issues. For instance, with the Americanisation of Swedish business, HR and payment policies are being adopted. What impact does this phenomenon have on local compensation and benefit practices? Additionally, what are the differences in compensation practices in collectivist and individualistic cultures?

Differences were also noticed in the distribution of benefits between the sexes. We repeatedly came across evidence that today there seem to exist inequalities in the benefits offered to men and women. Could the reason for this be that men and women have different needs? Or is it simply that they have different bargaining power when it comes to negotiating their benefits?

Further research into the outlined areas should help organisations in designing appropriate, fair and attractive benefit packages.

REFERENCES

- Adams, J. S. (1965). "*Inequity in social exchange*", in Berkowitz, L. (ed.), *Advances in experimental social psychology*, New York: Academic Press
- Anonymous (2002). "Benefits survey reveals trends", *Flexible Benefits*, May, 10, 5, 1
- Anonymous (2001). "Does paid time off attract talent?", *Flexible Benefits*, September 9, 9, 1-2
- Anonymous (2001). "Pros pick top five benefit priorities for 2001", *Flexible Benefits*, May, 9, 5, 1
- Barber, A., Dunham, R., & Formisano, R. (1992). "The impact of flexible benefits on employee satisfaction: A field study", *Personnel Psychology*, 45, 55-74
- Bedeian, A. G. (1993). "*Management*" (3rd ed.), New York: Dryden Press
- Beam, B.T., McFadden, J.J. (1992). "*Employee Benefits*", New York: John Wiley & Sons
- Berger, L. A. (2002). "*Compensation Handbook*", Blacklick, OH, USA: McGraw-Hill Professional Book Group
- Brockner, J. & Weisenfeld, B. M. (1996). An integrative framework for explaining reactions to decisions : Interactive effects of outcomes and procedures, *Psychological Bulletin*, 189-208
- Buford, J. A., Jr., Bedeian, A. G., & Lindner, J. R. (1995). *Management in Extension*", Columbus, Ohio: Ohio State University Extension
- Buford, J. A., (1990). "Extension management in the information age", *Journal of Extension*, 28,1
- Cassell, C. & Symon, G. (1994). "*Qualitative Methods in Organizational Research: A Practical Guide*", London: Sage Publications
- Chapman, B. & Otterman, R. (1975). "Employee Preference for Various Compensation and Benefit Options", *Personnel Administrator*, 31-36

Churchill, G. A., Jr. (1995). *“Marketing Research Methodological Foundations”*, (6th ed.), Fort Worth: The Dryden Press

Clark, A. W. (1995). “Aligning Compensation with Business Strategy”, *Employment Relations today*, 73-80

Czarniawska, B. (1998). “A narrative approach to organisation studies”, Thousand Oaks: Sage Publications

Ellig, B.R. (1980). “The impact of legislation on the personnel function”, *Personnel*, 57, 5, 49-53

Eriksson, L., Wiedersheim-Paul, F. (1998). *“Att utreda forskna och rapportera”*, Malmö: Liber Ekonomi,

Falkenberg L. (1987). “Employee Fitness Programs: Their impact on the employee and the Organization”, *Academy of Management Review*, 3, 511-522

Fitzgerald, L (2002), *Culture and compensation*, in “Compensation handbook”, ed. Berger, L. (2002). Ohio: McGraw-Hill Professional Book Group

Fondkommision AB, 2003

Glueck, W. (1978). *“Personnel: A Diagnostic Approach”*, Plano: Texas Business publications

Hankin, H. (2001). “Benefits Outsourcing – More service for less money?” *Flexible Benefits*, 9, 2-3

Harpaz, I. (1990). “The importance of work goals: an international perspective”. *Journal of International Business Studies*, 21, 75-93

Harris M, Fink L. (1994). “Employee benefit programs and attitudinal and behavioural outcomes: a preliminary model”, *Human Resource Management Review*, 4, 117-129

Heneman, H. & Schwab D: (1985). “Pay satisfaction: Its multidimensional nature and measurement”, *International Journal of Psychology* 20,129-14

Herzberg, F., Mausner, B. & Snyderman, B. B. (1959). *“The motivation to work”*, New York: John Wiley & Sons

Higgins, J. M. (1994). *"The management challenge"*, (2nd ed.), New York: Macmillan

Holzer, H.J. (1990). "Wages, employer costs, and employee performance in the firm", *Industrial and Labour Relations Review*, 43, 147-164

Huseman, R. et al (1978). "The MBA and Fringe Benefits", *Personnel Administration* 23, 57-60

Jonsson, E. (1992). *"Belöningar och effektivitet i offentlig förvaltning"*, Lund: Lund publications

Kovach, K. A. (1987). "What motivates employees? Workers and supervisors give different answers", *Business Horizons*, 30. 58-65

Izzo, J. & Whithers, P., (2001). *"Values Shift: The new work ethic & what it means for business"*, London: Fair Winds Press

Kamm, R. H. (2001). "Compensation, pay for performance or investment?", *Compensation & Benefits Management*, Spring, 68-70

Klein, D.A (1997). *"The Strategic Management of Intellectual Capital"*, USA: Butterworth- Heinemann

Kleiler, F.M. (1989)., "RR employers pioneers in industry pension plans", *Employee Benefit Plan Review*, 44, 46-48

Kreitner, R. (1995). *"Management"*, Boston: Houghton Mifflin

Kvale, S. (2000) *"Interviews: an introduction to qualitative research interviewing"*, California, USA: SAGE publications

Lawler, E. (1990). *Strategic pay: Aligning organisation strategies and pay systems*, San Francisco: Jossey-Bass

Lundahl, U., Skärvad, P.-H. (1992). *"Utredning metodik for Samhällsvetare och Ekonomer"*, Lund: Studentlitteratur

Lust L., Danehower C. (1992). *"The Dimensionality of Employee Benefit Satisfaction"*, Symposium at Academy of Management, August 1992
NV

Macionis, J. J. & Plummer, K.. (1997). “*Sociology: A global introduction*”, Harlow: Prentice Hall

Mak, B. L. & Sockel, H. (2001). “A confirmatory factor analysis of IS employee motivation and retention”, *Information & Management*, 38, 265-276

Maslow, A. H. (1943). “A theory of human motivation”, *Psychological Review*, 6, 370-396

McNeill, P. (1985). “*Research methods*”, London: Tavistock publications

Milkovich, G. & Newmann J. M. (1999). “*Compensation*”, 6th ed., Boston: McGraw-Hill

Milkovich, G. & Stevens, J. (1999). "Back to the Future: A Century of Compensation," *Working Paper 99-08*, 6, Ithica: Cornell University Centre for Advanced Human Resources Studies

Miner, J.B., Miner, M.G. (1973). “Legally required benefits in the US”, *Personnel and Industrial Relations*, 2

Mowday, R. T. (1991). “*Equity theory perceptions of behaviour in organizations*”, in R. M. Steers & L. W. Porter (Eds.), *Motivation and work behaviour*: 111-131. New York: McGraw-Hill

Nealy, S (1963). “Pay and Benefit Preferences”, *Industrial Relations*, 10, 17-28

Perry, L. S. (1993). “Effects of inequity on job satisfaction and self-evaluation in a national sample of African-American workers”, *Journal of Social Psychology*, 133, 565–573

Risher, H. (1993). “Strategic Salary planning”, *Compensation and Benefits Review*, 25, 47

Robbins, S. P. (1996). “*Organizational Behaviour*”, New Jersey: Prentice Hall

Rubenowitz, S. (1994). “*Organisationspsykologi och Ledarskap*”, Göteborg: Akademiförlaget

Rynes, S. L. & Gerhart, B. (2002). “*Compensation in organisations*”, California: Jossey-Bass

Sawchuck, L. (1997). "Mortality Rates on Gibraltar", *Journal of Phys. Anthropology*, 4, 123-139

Schultz, D. P. & Schultz, S. E. (1998). "*Psychology & Work Today: An Introduction to Industrial and Organizational Psychology*", New Jersey: Prentice Hall

Selen, J. A. & Ståhlberg B. (1996). "Non-wage benefits in Sweden", *Paper presented at Fifth annual Conference of the European Society for Population Economics, University of Pisa*, 6 -8

Spector, P. (1985). "Measurement of human service staff satisfaction: development of the job satisfaction survey", *Journal of Community Psychology*, 13, 693-713

Steers, R. M. & Porter, L. W. (1983). *Motivation and Work Behaviour*, New York: McGraw – Hill.

Terpstra, D. E. (1979). "Theories of motivation: borrowing the best". *Personnel Journal*, 58, 376

Torrington, D. & Hall, L. (1995). "*Personnel Management: HRM in Action*", London: Prentice Hall

Terry, M. B. (2001). "Communication – Adding value to your benefits program without adding costs", *Flexible Benefits*, June, 9, 7, 3

US Chamber of Commerce, 2003

VCC Compensation Handbook, 2003

Vecchio, R.P. & J.R. Terborg (1987). "Salary Increment allocation and Individual differences", *Journal of Organizational Behaviour* 8, 37-43

Warner L. & Bakerman T. (1960). "Wage Earners' Opinions of Insurance Fringe Benefits", *Journal of Insurance*, June, 17-28

Webster's Revised Unabridged Dictionary, 2001

Williams M.L & E. Newman (1993). "Employees' Definitions of and Knowledge of Employer provided Benefits", *Atlanta: Paper presented at 1993 Academy of management Meeting*

Yin R., K. (2000). *“Applications of case study research”*, California: Sage publications

Zigmund, W. G. (1989). *“Exploring marketing research”*, 3rd ed., Chicago: The Dryden Press

Internet sources

<http://www.hrs.se/verksamhet.html>, 21-08-03

<http://www.dn.se>, 05-06-00

<http://www.kontek.se>, 18-10-03

Appendix I

Swedish version of VCC web survey

Volvo Cars Intranet **VOLVO**

Monday, Oct. 13, 2003 HOW DO YOU BENEFIT?

INDEX **HOW DO YOU BENEFIT?**

Frågor angående förmåner

F1. Anser du dig veta vilka "förmåner" du har som anställd vid VCC?

Ja Nej

F2. Ange vilka av nedanstående förmåner som du erhåller nu eller tidigare har erhållit från VCC.

- Köp av ny eller begagnad bil med Volvorabatt
- Tjänstebil (förmånsbil)
- Leasingbil (E-bil)
- Rabatt på bilreparationer samt reservdelar/tillbehör

- Möjlighet att välja Alternativ ITP via Benefit World
- Volvo Företagspension
- FMC bonusprogram
- Ford aktieoptioner
- Volvo Resultatbonus

- Tjänsteårsgratifikationer (vid 25- 35 och 45 års anställning)
- Hem-PC
- Löneutfyllnad från företaget vid föräldraledighet
- Gratis kaffe och te på arbetsplatsen
- Av företaget betald städhjälp

- Flextid
- Kompensationsledighet (möjlighet att ta ut övertid i form av ledighet)

- Friskvårdserbjudande att utnyttja på Sörredsgården
- Betald avgift för deltagande i Göteborgsvarvet
- Utnyttjat möjlighet till vistelse i Volvos fritidsby i Bokenäs

- Volvo Förmånskort för Volvo anställda (rabatt på bensin, tvätt, mm)
- Personalrabatter för Volvoanställda givna av externa affärer
- Frivilliga försäkringar (Gruppförsäkring för Volvo-anställda)

- Lisebergskortet
- Personalmatsalar inom företaget
- Fri parkeringsplats på arbetsplatsen

- Andra, nämligen

F3. Kände du till samtliga förmåner som gällde vid företaget när du anställdes?

Ja Nej

F4. Hur nöjd är du med de förmåner du erhåller nu?

- Mycket nöjd
- Nöjd
- Ganska nöjd
- Lite missnöjd
- Mycket missnöjd

Motivera ditt svar:

F5. Hur skulle du bedöma nedanstående företagsförmåner (betygsätt även de förmåner du inte erhåller i dagsläget)? Betygsskalan 1 = minst viktig, 5 = viktigast

Företagsförmån	1	2	3	4	5
Köp av ny eller begagnad bil med Volvorabatt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tjänstebil (förmånsbil)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Leasingbil (E-bil)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Rabatt på bilreparationer samt reservdelar/tillbehör	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Möjlighet att välja Alternativ ITP via Benefit World	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Volvo Företagspension	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FMC bonusprogram	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Ford aktieoptioner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Volvo Resultatbonus	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Tjänsteårsgratifikationer (vid 25- 35 och 45 års anställning)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Hem-PC	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Löneutfyllnad från företaget vid föräldraledighet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gratis kaffe och te på arbetsplatsen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Av företaget betald städhjälp	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Flexitid	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Kompensationsledighet (möjlighet att ta ut övertid i form av ledighet)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Friskvårdserbjudande att utnyttja på Sörredsgården	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Betald avgift för deltagande i Göteborgsvarvet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Utnyttjat möjlighet till vistelse i Volvos fritidsby i Bokenäs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Volvo Förmånskort för Volvo anställda (rabatt på bensin, tvätt, mm)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personalrabatter för Volvoanställda givna av externa affärer	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Frivilliga försäkringar (Gruppförsäkring för Volvo-anställda)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lisebergskortet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Personal matsalar inom företaget	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Fri parkeringsplats på arbetsplatsen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

F6. Vilka är de 3 viktigaste förmånerna som ökar din personliga motivation? Varför?

1.

2.

3.

F7. Jag ser förmåner främst som:**Ange samtliga svarsalternativ som passar in.**

- Ett problem
- Något som skapar trygghet
- Något som bekräftar/belönar min arbetsinsats
- Något som visar vad jag är värd för företaget
- Något positivt som kan hjälpa till att höja livskvaliteten
- Något man förväntar sig av arbetsgivaren

F8. Hur väl stämmer din uppfattning med följande påståenden?

Påstående	instämmer			
	helt	något	inte helt	inte alls
Företagets förmåner motiverar mig i arbetet	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Företaget gör det lätt för mig att nå önskade förmåner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Företaget har klara riktlinjer för hur jag når de önskade förmånsnivåerna	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag är nöjd med de förmåner jag erhåller för närvarande	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Jag kan tänka mig att ta del av fler förmåner i utbyte mot en del av min lön	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Företagets förmåner uppmuntrar mig till att finna effektivare arbetsmetoder	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

F9. Skulle du vilja ha möjlighet att skapa ett individuellt förmånspaket?Ja Nej **F10. Anser du att det vore mer rättvist om du fick skapa ett individuellt förmånspaket?**Ja Nej **F11. Anser du att förmåner skall vara flexibla och anpassningsbara över tiden?**Ja Nej

F12. Ange de 3 viktigaste faktorerna som motiverar dig till att stanna inom företaget, och rangordna dessa med hjälp av siffrorna 1, 2 och 3. (1 = viktigast).

- Högre lön
- Fler eller bättre förmåner
- Befordran / möjlighet till avancemang
- Andra, mer intressanta arbetsuppgifter
- Utvecklingsmöjligheter (utbildning, fortbildning etc.)
- Bättre möjligheter att påverka min arbetsmiljö
- Företagskultur
- Sociala / geografiska orsaker (närhet till familj, släkt, vänner)
- Annat nämligen

F13. Vilka förmåner skulle du önska utöver de som redan erbjuds idag och varför? Fritt val Ange de 3 viktigaste.

1.

2.

3.

F14. Vilka av de förmåner som VCC erbjuder relaterar enligt din uppfattning mest till företagets värderingar? För att välja fler förmåner håll ctrl nedtryckt när du väljer.

- Företagsförmån som relaterar mest
- Köp av ny eller begagnad bil med Volvorabatt
- Tjänstebil (förmånsbil)
- Leasingbil (E-bil)
- Rabatt på bilreparationer samt reservdelar/tillbehör

F15. Vilka av de förmåner som VCC erbjuder relaterar enligt din uppfattning minst till företagets värderingar? För att välja fler förmåner håll ctrl nedtryckt när du väljer.

- Företagsförmån som relaterar minst
- Köp av ny eller begagnad bil med Volvorabatt
- Tjänstebil (förmånsbil)
- Leasingbil (E-bil)
- Rabatt på bilreparationer samt reservdelar/tillbehör

Var vänlig kontrollera att du besvarat alla frågor fullständigt innan du klicka på "skicka".

Appendix II

Swedish version of interview guide

INTERVIEW FRÅGOR	PROMPTS
1. Hur viktiga är förmåner för dig vid valet av arbetsgivare?	Avgörande faktor
	Något som är viktigare
	Konkurrenskraftigt
	Jämförelse av företag
	Ökad betydelse (ålder etc.)
2. Vilka förmåner värdesätter du personligen, och varför?	Status/ Erkännande/ Belöning
	Behov
	Motivation (Arbetsprestation, Privatliv)
	Andra förmåner önskad
3. Anser du att de mest påkostade förmånerna också är de bästa?	Vilka?
	Varför?
4. Vilka förmåner skulle du kunna vara utan, och varför?	Nytta
	Behov
	Obekvämt/ svårt att tillgå
	Personligt värde
5. Scenario: Cafeteriasystem/ poängsystem Skulle du vara för ett sådant system? Varför?	Fördelar
	Nackdelar/ problem
	Flexibilitet
	Skräddarsytt för att passa din livsstil
	mer rättvist eller inte -
Extras (om särskilda VCC förmåner)	Gratis kaffe & te (Betala själv)
	Städhjälp (Jämställdhet?)
	Pension (Kostnader, bidrag)